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THE LEGAL STATUS OF THE AMERICAN COLONIAL CITY

SINCE the second quarter of the nineteenth century the relations subsisting between the American city and the state of which it is a part have been a problem both of politics and of law. The history of the problem in its later aspects has been fairly written; and the story of the attempts that have been and are being made to solve it by constitutional provisions is doubtless sufficiently well known. There has been, however, little discussion of the origin and early developments of these institutional relationships. What was the origin of the corporate character of the early American borough or city? What was the relation of superiority and inferiority between the organs of the colonial government on the one hand and of the borough or city government on the other? What were the legal powers of the one; what, if any, were the inviolable rights of the other?

Of necessity these questions must be studied to some extent in the light of the legal status of the early English borough, after which the American municipality was patterned. Be it said, however, that we are not here interested in the functional, organic, or political evolution of the early city, whether English or American, but only in the matter of its legal position under the public law of its day.

I

In 1765, almost on the threshold of the American Revolution, Sir William Blackstone published his well known *Commentaries on the Laws of England*. From the modern

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municipal viewpoint it is a striking fact that his chapter on corporations contained no reference whatever to the distinction between public and private corporations.[1] In legal theory municipal corporations were apparently regarded as homogeneous with manufacturing and trading corporations. For this failure to differentiate there was some, though by no means complete, justification. From the Revolution of 1688[2] to the Municipal Corporations Act of 1835, the earmarks that were common to municipal and private corporations in England were certainly more numerous than they were after 1835. But in spite of this fact and of the further fact that it was impossible precisely to define a municipal borough or corporation, because of the wide variations in the constitution and characteristics of these entities,[3] it is nevertheless true that in broad lines most of these corporations were distinguishable from those which in modern terminology would be classified as private corporations.[4]

[1] He classified corporations (1) as "aggregate" and "sole", and (2) as "ecclesiastical" and "lay". He also subdivided the "lay" corporations into "civil" and "eleemosynary". Describing the civil lay corporations "erected for a variety of temporal purposes", he said: "Other lay corporations are erected for the good government of a town or particular district, as a mayor and commonalty, bailiff and burgesses, or the like; as the trading companies of London and other towns: and some for the better carrying on of divers special purposes; as church wardens, for the conservation of the goods of the parish; the College of Physicians and Company of Surgeons in London, for the improvement of medical science; the Royal Society, for the advancement of natural knowledge; and the Society of Antiquaries, for promoting the study of antiquities. And among these I am inclined to think the general corporate bodies of the universities of Oxford and Cambridge must be ranked." Blackstone, *Commentaries on the Laws of England,* Lewis ed., Book I, ch. 18, pp. 470-471.

[2] This date is appropriate in this connection not only because of its importance in the history of English borough corporations but also because it corresponds roughly with the opening of municipal corporate history in the American colonies.

[3] Sydney and Beatrice Webb, *English Local Government from the Revolution to the Municipal Corporations Act,* Book III, pp. 262-67.

[4] Madox, *Firma Burgi,* published in 1726; Brady, *An Historical Treatise of Cities and Burghs or Boroughs,* published in 1704; Wills, *Notitia Parliamentaria,* published in 1715-16; Oldfield, *An Entire and Complete History, Political and Personal of the Boroughs of Great Britain,* second ed., published in 1794; *First Report of the Commissioners Appointed to Inquire into the Municipal Corporations in England and Wales,* 4 volumes, *Parliamentary Papers,* 1835, XXIII-XXVI.

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As a result, however, of the failure of courts and of commentators to set up any legal distinction between the two, the early law of municipal corporations is for the most part simply the early law of corporations in general.

The English lawyer of the seventeenth century no doubt subscribed without question to the view expressed by Lord Justice Coke in 1612: "None but the King alone can create or make a corporation."[1] Generally speaking, the corporateness of boroughs was derived from letters patent or charters issued by the Crown. There were indeed corporations which, by something of legal fiction, existed only with the implied consent of the Crown.[2] There were also corporations which were created "by act of Parliament, of which the royal assent is a necessary ingredient."[3] For most practical purposes, however, it is sufficiently accurate to say that English corporations in general and municipal corporations in particular emanated from the Crown. Moreover, although great uncertainty attached to the history of many of these charters,[4] it is probably true that they were usually granted at the behest of the corporation (except under Charles II and James II) and that they were not only formally or impliedly accepted but were also actually paid for.[5]

[1] Case of Sutton's Hospital. *Coke's Reports*, X, 336.

[2] Blackstone pointed out that "corporations which exist by force of the common law" and "corporations by prescription, such as the city of London and many others", were corporations which came into being by the King's implied consent. *Op. cit.*, pp. 472, 473.

[3] Blackstone classifies these corporations among those that exist with the express consent of the Crown. He wrote in 1765. The necessity for royal assent to a bill was then on its way to the discard. No bill had been disallowed since 1707. Of incorporations by act of Parliament he said: "But it is observable that, until of late years, most of those statutes which are usually cited as having created corporations do either confirm such as have already been created by the King, . . . or they permit the King to erect a corporation *in futuro* with such and such powers. . . . So that the immediate creative act was usually prepared by the King alone, in virtue of his royal prerogative." *Ibid.*, p. 473.

[4] *First Report of the Commissioners to Inquire into Municipal Corporations of England and Wales, Parliamentary Papers*, 1835, XXII-XXVI. In the reports on specific boroughs contained in the Appendix, there are many instances of uncertainty as to the charter history of this or that borough. Not infrequently an alleged charter had completely disappeared.

[5] "The Corporation had, for a price, purchased the Borough from the King,

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It is unnecessary to recount in detail the well known epoch in English political and constitutional history which arose out of the attacks that were made by Charles II and James II upon the charters of municipal corporations. In 1683 *quo warranto* proceedings were brought against the city of London and the corporation was declared to be forfeited. It was, in other words, wiped out of legal existence, although the judgment was in effect suspended subject to acceptance by the corporation of severe limitations upon its powers and privileges. Thereafter similar proceedings were brought against a few other boroughs and most of the municipal corporations, anticipating similar assaults, were induced to surrender their charters voluntarily. It was in 1684 that the notorious Judge Jeffreys made his famous boast that he "made all the charters, like the walls of Jericho fall down before him, and that he returned laden with surrenders, the spoils of the towns." The years from 1682 to 1688 were years of great legal and political uncertainty for municipal corporations.[1]

and bought itself free, so that it might do what it liked with its own." Sidney and Beatrice Webb, *English Local Government from the Revolution to the Municipal Corporations Act*, II, p. 728.

[1] "Sometimes the new Charters were formally accepted and sometimes not. In some cases they were acted upon, sometimes not. Mayors, Aldermen, and Councillors were sometimes appointed according to the new constitutions, sometimes under the old ones. Those who were obnoxious to Charles the Second, as being disaffected to the Court, were removed in 1683-84; those who were obnoxious to James the Second, as being hostile to Roman Catholicism and the dispensing power, were removed in 1686-87; and it was often uncertain whether the removals, together with the consequent new appointments, were valid. When the invasion of the Prince of Orange became imminent James the Second hastily restored the old Charters of the city of London, and issued a proclamation purporting to restore the constitutions of all the other Corporations, except those of which the Charters had been declared forfeited by legal judgments, and those of which deeds of surrender had been formally enrolled. Some of them acted on this proclamation and some did not. Those that were excluded from the proclamation were left in a position of exceptionally doubtful legality. Some continued to act on the Charters of James the Second, while others treated them as null and void. Eventually an Act of Parliament declared the illegality of the judgment against the corporation of the city of London, and restored its rights and privileges in the widest terms; whilst for the next few years the student of the archives of the Privy Council finds that body busy with petitions about new Charters, or Letters Patent deciding various points in dispute." Sidney and Beatrice Webb, *op. cit.*, Bk. III, pp. 269-70.

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The assaults of Charles II and James II upon the borough charters were purely political. As Hallam says:

> The power of democracy[1] in that age resided chiefly in the corporations. These returned, exclusively or principally, a majority of the representatives of the Commons. So long as they should be actuated by that ardent spirit of patriotism and liberty which prevailed in the middling classes, there was little prospect of maintaining a Parliament that would cooperate with the Stuart scheme of government. . . . It was suggested therefore by some crafty lawyers that a judgment of forfeiture obtained against the corporation of London would not only demolish that citadel of insolent rebels, but intimidate the rest of England by so striking an example. True it was, that no precedent could be found for the forfeiture of corporate privileges. But general reasoning was to serve instead of precedents.[2]

Whether these forfeitures and surrenders of municipal corporations were valid in law was a point much discussed at the time as it has been since.[3] It was contended that these charters were inviolable; that action, if any, should have been brought not against the corporations but against those persons who were guilty of illegal or reprehensible conduct.[4] But in the London *quo warranto* case the Lord Chief Justice argued that: "if so be that it should be taken for law, that a corporation is indissoluble and cannot be dissolved for any crime whatsoever, then . . . you have set up so many independent commonwealths."[5]

Whatever may have been the law as to the competence of a *court* completely to dissolve a flourishing municipal corporation —an action which was almost as impracticable then as it would be today—it seems to have been clearly settled in law that the Crown itself could neither compel the acceptance of a charter

[1] It is open to question whether the word "democracy" is used here with propriety. As Sidney and Beatrice Webb have pointed out, those boroughs they termed "Municipal Democracies constituted a small minority of the couple of hundred Municipal Corporations of 1689." *Op. cit.*, Part II, p. 492.

[2] Hallam, *Constitutional History* (Everyman ed.), vol II, p. 411.

[3] Burnet, *History of His Own Time*, vol. II, p. 332.

[4] Hallam, *op. cit.*, vol. II, p. 412.

[5] *8 State Trials*, pp. 1264-1265.

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nor revoke an existing charter without the consent of the corporation.[1] True it is that many of the English boroughs received from time to time new royal charters; but these were probably issued at the behest of the corporations themselves;[2] and there are recorded instances of refusals to accept and act upon charters that were granted,[3] which refusals were sustained by the courts.

Although borough charters were usually granted by the Crown, there can be no question that Parliament was also competent to enact laws relating to municipal affairs.[4] Indeed in the course of time, and especially during the reigns of George III and George IV, Parliament came to enact numerous local acts of this kind. It is probable that few of these were in the nature of specific amendments to the royal charters. They were rather in the nature of supplements to those charters, sometimes conferring additional powers and imposing additional obligations upon the corporations, but more often creat-

[1] "But the king cannot abolish a corporation, or new model it, or alter its powers, without its assent. This is the acknowledged and well-known doctrine of the common law. 'Whatever might have been the notion in former times,' says Lord Mansfield, 'it is most certain now, that the corporations of the universities are lay corporations; and that the crown cannot take away from them any rights that have been formerly subsisting in them under old charters or prescriptive usage.' (3 Burr, 1656.) After forfeiture duly found, the king may regrant the franchises; but a grant of franchises already granted, and of which no forfeiture has been found, is void. Corporate franchises can only be forfeited by trial and judgment. (3 T. R. 244, *King* v. *Passmore.*) In case of a new charter or grant to an existing corporation, it may accept or reject it as it pleases. (*The King* v. *Vice Chancellor of Cambridge,* 3 Burr, 1656; 3 T. R. 240, per Lord Kenyon.) It may accept such part of the grant as it chooses, and reject the rest. (*Idem,* 1661, and *King* v. *Passmore, ubi supra.*) In the very nature of things, a charter cannot be forced upon anybody. No one can be compelled to accept a grant; and without acceptance the grant is necessarily void (*Ellis* v. *Marshall,* 2 Mass. R. 277; 1 Kyd on Corp. 65, 66)." Brief of Daniel Webster in *Dartmouth College* v. *Woodward,* 4 Wheaton, 518 (1819).

[2] *First Report of the Commissioners Appointed to Inquire into Municipal Corporations of England and Wales, Parliamentary Papers,* 1835, XXIII-XXVI.

[3] See, for example, *ibid.,* XXV, 1469, 1547; XXVI, 2878; *King* v. *Osborne,* 4 East. 327 (1803).

[4] Sidney and Beatrice Webb, *op. cit.,* I, 267, n. 2.

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ing new agencies in the form of commissions empowered to undertake and control certain municipal services.[1]

These commissions were often independent of the borough

[1] For example in the *First Report of the Commissioners Appointed to Inquire into Municipal Corporations of England and Wales*, vol. XXIII, pp. 67, 68, the following acts were listed as applying to the City of Gloucester:

"I Wm. & Mary, July 1689. 'An Act for certain Courts of Conscience in the Cities of Bristol and Gloucester, and the Liberties thereof.'

"I Queen Anne. 'An Act for incorporating certain persons for the better providing for and setting at work the poor of the City of Gloucester.'

"13 Geo. I. 'An Act for repealing part and making more effectual the residue of an Act of Parliament made in the first year of the reign of her late Majesty Queen Anne, intitled, "An Act for the incorporating certain persons for the better providing for and setting at work the poor of the City of Gloucester."'

"14 Geo. II. 'An Act for supplying the City of Gloucester with fresh water.'

"23 Geo. II. 'An Act for taking down several buildings, and enlarging the streets and market places in the City of Gloucester.'

"4 Geo. III. 'An Act for the more effectual relief and employment of the poor within the City of Gloucester, and for lighting the streets of the said city.'

"17 Geo. III. c. 68. 'An Act for rebuilding the bridge over the River Severn at Maisemore, near the City of Gloucester, for raising, widening and securing Over's Causeway leading from the said City towards Maisemore aforesaid, and for enforcing the proper paving and cleansing of the several streets within the said city, and for removing nuisances and annoyances therefrom, and preventing the like in future.'

"21 Geo. III. c. 74. 'An Act for erecting a new Gaol, and for removing certain gateways in the City of Gloucester, and for amending the several Acts passed for the maintenance and support of the poor of said City, and for lighting, paving and regulating the streets there.'

"46 Geo. III. c. 45. 'An Act for taking down and rebuilding the Bridge across the River Severn at Gloucester, called the Westgate Bridge, and for opening convenient avenues thereto.'

"54 Geo. III. c. 175. 'An Act for erecting a Shire Hall and Courts for the administration of Justice, and other buildings for public purposes for the County of Gloucester and County of the City of Gloucester.'

"59 Geo. III. c. 69. 'An Act for enabling the Governors and Guardians of the Poor of the City of Gloucester to light the City with Gas, and to enter into the necessary contracts for that purpose.'

"1 Geo. IV. c. 10. 'An Act for incorporating the City of Gloucester Gas Light Company.'

"1 & 2 Geo. IV. c. 22. 'An Act for establishing a proper place for holding Markets and Fairs for the sale of live stock in the City of Gloucester and the suburbs thereof, and for opening convenient avenues thereto, and for watching and otherwise improving the said City.'"

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corporations as such. For as the Commissioners to Inquire into Municipal Corporations reported in 1835: "It has become customary not to rely on the Municipal Corporations for exercising the powers incident to good municipal government. The powers granted by Local Acts of Parliament for various purposes, have been from time to time conferred, not upon the municipal officers, but upon trustees or commissioners, distinct from them; so that often the Corporations have hardly any duties to perform. They have the nominal government of the town: but the efficient duties, and the responsibility, have been transferred to other hands."[1] Not infrequently, however, some of the officers of the corporations were made *ex officiis* members of these commissions.[2] "The Police, and the powers conferred by Local Acts for paving, lighting and watching the town, are seldom exclusively in the jurisdiction of the corporation; sometimes they are shared by the corporate authorities and Commissioners; sometimes they are vested in Commissioners alone. Many of the corporate functionaries are often named in these Acts as commissioners *ex officio*. In several large towns, more than one of these boards has been introduced."[3]

Of necessity serious difficulties arose out of this scattering of power and responsibility. The Commissioners reported:

> Much confusion results from this divided authority. The powers of local taxation, and the superintendence of matters so closely connected with the comfort and well being of the inhabitants, which are now exercised by these bodies, appear to belong precisely to that class of objects for which corporate authority was originally conferred; but great dissatisfaction would prevail among the inhabitants if these powers were entrusted to the Municipal Corporations as at present constituted. In several towns much apathy is now shown by the inhabitants with respect to the municipal benefits conferred by these Acts. . . . Great jealousy often exists between the officers of the police, acting under the Corporation and those under the Commissioners of these Local

[1] *First Report of the Commissioners Appointed to Inquire into Municipal Corporations of England and Wales*, vol. XXIII, p. 17.

[2] *Ibid.*, p. 22.

[3] *Ibid.*, pp. 29-30.

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Acts, and the corporate body seldom takes any active share in the duties of the board of which its members form a part. . . . In some instances, the separate and conflicting authority of the Commissioners is avowedly used as a check and counterbalance to the political influence of the Corporation.[1]

With the unhappy consequences of these local acts we are not here concerned. The point of importance is that by a gradual process Parliament came to assume control over many aspects of municipal government while the royal charters remained apparently intact. And when in 1835, as a result of the investigation and report on municipal conditions, the Municipal Corporations Act was enacted, no question was raised as to the power of Parliament to sweep out of existence in whole or in part the hundreds of early charters upon which down to that date the powers and privileges of municipal corporations had rested.[2] The first section of the Act[3] abolished all the charters, privileges, customs, usages, and rights of municipal corporations, in so far as they were inconsistent with the provisions of the new law. Since that date municipal government in England has been regulated wholly by statute. Whatever rights cities enjoy are exercised at the pleasure of a Parliament legally supreme.

The actual policy which Parliament has pursued toward municipal corporations has no bearing upon the American situation;[4] for long before 1835 English precedents and practices had ceased to exercise any direct influence upon the

[1] *Ibid.*, p. 43. As Sidney and Beatrice Webb have ably shown (*op. cit.* II, pp. 718-721) the report of the Royal Commissioners contains many general statements that are utterly belied by the data which they assembled. In the main, however, their characterizations in respect to these independent commissions are correct.

[2] Question was indeed raised as to the competence of Parliament to divest municipal corporations, comprising a relatively small membership, of their property and to vest the title in corporations representing the inhabitants at large. For a discussion of the divergent views on this question see Sidney and Beatrice Webb, *op. cit.*, II, pp. 732-736.

[3] 5 and 6 William IV, c. 76.

[4] For an excellent brief description of that policy see Munro, *Municipal Government and Administration*, I, pp. 164-168.

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development of American relations between the city and the state.

II

As in England so in the American colonies there was no early recognition of the distinction between public and private corporations.[1] Public and private corporations there were, nevertheless; and for the most part they came into legal being by action taken on this side of the Atlantic. True it is that a few corporations—notably the Virginia, the Hudson Bay, the Massachusetts Bay, the Rhode Island and Providence Plantations, and the Connecticut Companies—were chartered directly by the Crown for governmental, colonization, and trading purposes in the American continent.[2] In rare instances, however, were private corporations for colonial operation so chartered by the Crown; and in no case did the Crown grant a charter directly to a municipal corporation in the colonies.[3] On the contrary every such charter was of strictly colonial origin.[4]

Although a degree of doubt attaches to the validity or character of some of the documents in question it is sufficiently accurate to say that charters of incorporation were granted to a score or more of boroughs or cities during the colonial era.[5]

[1] Davis, *Essays in the Early History of American Corporations*, vol. II, p. 49.

[2] *Ibid.*, vol. II, p. 2. After outlining the history of these and other corporations created by the Crown, of one chartered by William Penn, and of several of non-English origin, Mr. Davis concludes, "For convenience, nevertheless, we may somewhat arbitrarily set off the public corporations from the private ones, applying a distinction then unrecognized."

[3] The ill-fated charter given by Sir Walter Raleigh in 1587 to the corporation known as the "governour and Assistants of the Citie of Raleigh in Virginia" was probably not intended to create a municipal corporation. *Ibid.*, pp. 30-32.

[4] For a discussion of colonial municipal charters see Fairlie, *Essays in Municipal Administration*, pp. 48-94; Rogers, "Municipal Corporations", in *Two Centuries' Growth of American Laws*, pp. 203-260; Davis, *op. cit.*, I, ch. 3.

[5] Fairlie, *op. cit.*, p. 50, lists twenty with dates of incorporation as follows: Agamenticus (later Gorgeana) Me., 1641; Kittery, Me., 1647; New York, N. Y., 1686; Albany, N. Y., 1686; Germantown, Pa., 1687; Philadelphia, Pa., 1691; Chester, Pa., 1701; Westchester, N. Y., 170?; Bath, N. C., 1705; Annapolis, Md., 1708; Perth Amboy, N. J., 1718; Bristol, Pa., 1720; Williamsburg, Va., 1722; New Brunswick, N. J., 1730; Burlington, N. J., 1733; Nor-

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Most of these cities were operating under such charters at the time of the Revolution, but the charters of a few of them had been surrendered or withdrawn on account of opposition by the inhabitants,[1] or had passed into desuetude because of slender populations.[2]

As in England also the municipal charters of the colonial period were almost invariably granted by the executive rather than the legislature. In the crown and proprietary colonies it was the governor or proprietor who acted in behalf of and usually in the name of the crown. Whence came this authority? "The delegation of the right to incorporate was seldom explicit and practically never comprehensive in terms. As a rule it had to be inferred from more or less general grants or relationships. It was perhaps least inadequately expressed in the grants to the proprietaries;" for "most of the proprietary patents contained an authorization, in more or less definite terms, to incorporate municipalities."[3]

On the other hand, in the royal provinces the nearest approach to an express delegation of the power to grant charters of incorporation was contained in the commissions issued to the royal governors after 1680, which commissions usually authorized them to "erect, raise and build . . . such and so many forts, platforms, Castles, *cities*, *boroughs*, *towns* and fortifications" as they might judge necessary.

In general it is not evident that the governors had this or any other particular clause distinctly in mind, or indeed that they thought any

folk, Va., 1736; Richmond, Va., 1742; Elizabeth, N. J., 1740; Lancaster, Pa., 1742; Trenton, N. J., 1746.

The list of borough charters discussed by Davis, *op. cit.*, I, ch. 3, differs from Fairlie's list in that he omits: Kittery, Me., 1647; Bath, N. C., 1705; and Richmond, Va., 1742. On the other hand he adds: St. Mary's City, Md., 1667; Charles City (Charleston) S. C., 1722; Newcastle, Pa., 1724; Wilmington, Del., 1739; Wilmington, N. C., 1760; and Schenectady, N. Y., 1765.

[1] Germantown, Pa., Trenton, N. J., Charles City, S. C.

[2] Georgeana and Kittery, Me. (upon annexation to Massachusetts in 1652); St. Mary's, Md., Newcastle, Pa., and possibly Westchester and Schenectady, N. Y.

[3] Davis, *op. cit.*, I, p. 8.

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specific authorization needful. For such a feeling there was ample basis. The royal governor was the direct representative, the general agent, of the crown in the colonies. By virtue of this office he was capable of exercising the royal prerogative within his jurisdiction, subject only to the limitations imposed by his commission and instructions; and this part of the prerogative was among those upon which no limitations were placed. The general practice, therefore, among the royal governors was a somewhat free exercise of this power.[1]

There were a few instances in which the competence of royal governors to grant charters of incorporation was drawn into question. Thus in 1708 when Governor Seymour of Maryland issued a charter creating the city of Annapolis, vigorous protest was made on the part of the assembly.[2] In the end, however, an act was passed which confirmed the Governor's charter with certain explanations and alterations. So also in 1772 when Sir Francis Nicholson was Governor of South Carolina he sought power from the crown to incorporate Charles City, and not securing this he caused the assembly to pass an act creating the incorporation.[3]

In the charter colonies (Massachusetts until 1684, Connecticut, and Rhode Island) the situation of the Governor was quite different from that in the royal provinces.[4] In respect to municipal corporations, however, it is unnecessary to consider the complicated and uncertain question as to where in these colonies lay the power to create corporations. For the fact is that no municipal corporation was established in any of them.

So much for the origin of the Governor's power to create corporations in general and municipal corporations in particular. Did the colonial legislature, like the Parliament in England, also enjoy this power?

[1] Davis, *op. cit.*, I, p. 11.

[2] In 1696 Sir Francis Nicholson as Governor of Maryland, then temporarily under royal control, looked to the assembly to incorporate "the Commissioners and Trustees for the Porte and Town of Annapolis".

[3] *Ibid.*, I, p. 12.

[4] *Ibid.*, I, pp. 15-29.

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III

In one or two instances the proprietaries expressly conferred upon the colonial legislatures power to grant corporate privileges. Elsewhere "the colonial assemblies which undertook to create corporations were forced to rely upon an implied power so to act; and the question whether this implication was justified remained somewhat unsettled throughout the entire colonial period."[1] On the whole, however, "it may be concluded that in the royal and proprietary colonies the legal right of the assemblies to incorporate 'under the negative of the Governor' and subject to disallowances by the higher powers was recognized. This method of incorporation was the common one in Massachusetts (under the province charter), Pennsylvania, Maryland, and South Carolina; and in a few instances it was resorted to in other colonies of these types."[2] But whatever may have been the legal competence of the legislatures in the matter of creating corporations, Charles City, South Carolina, is the only instance during the colonial period of a municipal corporation created *ad hoc* by legislative act; and this legislative charter, enacted in 1722, was on protest of the inhabitants annulled in 1723. All the other charters of colonial boroughs or cities were granted by either governors or proprietors.

On the other hand, there was at least one instance in which a colonial legislature, following the sometime practice of Parliament in relation to the Crown, expressly authorized the governor to create a municipal corporation. In 1705 the governor, council and burgesses of Virginia enacted that "it shall and may be lawful to and for His Excellency, the Governor . . . by letters patent . . . to incorporate all and every person or persons who . . . shall have an interest, freehold or habitation, in said city, to be one body politic and corporate, by the name of the mayor, aldermen and commonalty of the city of Williamsburg."[3]

[1] *Ibid.*, I, p. 17.

[2] *Ibid.*, II, p. 20.

[3] Henning, *Statutes at Large of Virginia*, III, pp. 419, 427. It was not until 1722 that the governor acted under this authorization.

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There are also several instances in which provincial assemblies passed acts in confirmation of gubernatorial charters. Thus in New York it was enacted in 1691 that all charters, patents and grants given "unto the general and respective corporations or bodies politic, of the cities, towns or manors, and also to the several and respective freeholders under this province, are, and forever shall be, deemed, esteemed, and reputed good and effective charters, patents and grants."[1] This act, which gave legislative confirmation to the charters of New York and Albany, was passed "to quiet men's minds" concerning the legal status of corporations after the English revolution of 1688. A similar act had been passed by Parliament in 1690.[2] So likewise was the Montgomerie charter of New York (1731) confirmed by the provincial legislature in 1732,[3] doubt in this case having arisen because of the governor's failure to sign the charter.[4]

In 1736 the Virginia legislature ratified the charter of Norfolk which had been granted by Governor Gooch in the same year.[5] Indeed, so far as practice discloses, it seems to have been the assumption in Virginia that some sort of legislative action was necessary to create any corporation, whether public or private.[6] Mention has already been made of the act of the Maryland

[1] *Colonial Laws of New York*, I, p. 224.

[2] III William and Mary, 1690; Hoffman, *Treatise upon the Estate and Rights of the Corporation of New York*, I, p. 23.

[3] *Colonial Laws of New York*, II, p. 752.

[4] "Not even this confirmation by the provincial legislature satisfied the city authorities. They finally sought ratification from the King himself. Here Governor Cosby thwarted them by advising against confirmation, and no royal assent was apparently ever given either to the charter of Governor Montgomerie or to the confirmatory act of the general assembly." Edwards, *New York as an Eighteenth Century Municipality*, p. 21.

[5] Henning, *Statutes at Large of Virginia*, IV, p. 541.

[6] At least there appears to be no instance of a corporation's having been created in Virginia by sole act of the governor. As mentioned above, the charter of Williamsburg was authorized and that of Norfolk confirmed. The college of William and Mary (1693) enjoyed the unique distinction of being the only such colonial corporation created by direct grant of the Crown; while Peasley's Free School (1756) and Eton's Charity School (1759) were incorporated by act of the assembly. Davis, *op. cit.*, I, pp. 45, 83.

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legislature confirming the charter of Annapolis. Confirmation in this instance was the result of a direct struggle between the governor and the assembly in respect to the power to incorporate. In the compromise that was reached it is doubtful whether the assembly even recognized the competence of the governor to grant the charter; for the charter was declared to have validity only by virtue of the act. And certain it is that the power of the legislature to amend the charter was unmistakably asserted and exercised.[1]

On the American side of the Atlantic there was never any instance of an attempt to revoke the charter of a municipal corporation by *quo warranto* proceedings. Nor does it appear that any governor or proprietor ever sought to revoke a charter against the will of the corporators with or without substitution of a new charter.[2] In fact New York is the only city that was granted more than one charter during the colonial era; and in this case both the Dongan (1686) and the Montgomerie (1731) charters were issued at the express request of the corporation.[3] Indeed the city probably made handsome payment to Governor Montgomerie for his good offices as grantor.[4]

[1] It was enacted that "the city charter of the city of Annapolis . . . shall, *by virtue of this act,* be held, taken, stand, remain and be firm and valid . . . , subject nevertheless to the several restrictions and explanations herein specified and declared." *Laws of Maryland, 1692-1784,* I, 1708, p. 7.

[2] The charter of Germantown (1689) was formally surrendered in 1707 "when it was impossible to fill the offices provided for its terms." (Davis, *op. cit.,* I, p. 54); and in 1768-69 the Pennsylvania legislature authorized the recorder of deeds for the city and county of Philadelphia to receive the ancient books and records of the defunct corporation. *Statutes at Large of Pennsylvania, 1682-1801,* vol. 7, p. 262. The Charter of Trenton (1746), opposed by the inhabitants from the beginning, was surrendered to the Governor in 1750. Davis, *op. cit.,* I, p. 57. The legislative charter of Charles City, S. C. (1722) was on protest of the inhabitants repealed by order of the lords justices in England in 1723. *Statutes at Large of South Carolina,* III, p. 179.

[3] The Dutch and English charters that preceded the Dongan charter may be omitted from consideration in this connection.

[4] For evidence in respect to the probable payment by the city see Edwards, *op. cit.,* p. 18 *et seq.*

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IV

Whatever may have been the legal competence of the governors or proprietors to revoke or alter municipal charters it is certain that, like Parliament, the legislatures of most of the provinces regarded themselves as empowered to enact laws relating to municipal affairs. A brief analysis of some of this legislation will serve to show how the legal relations between cities and legislatures were gradually evolved.

There appear to be only one or two instances of laws which operated to amend municipal charters in a restrictive sense—that is, to deprive the corporation of some charter power or right. The above mentioned Annapolis confirmatory act of 1708 was one of these. So also was a law of 1746 which authorized attorneys of the Supreme Court to practise before mayor's court of New York "notwithstanding the charter of the said city . . . or any franchise, letters patent, usage or custom to the contrary thereto."[1] In 1771 New York City aldermen were prohibited from presiding at elections as had been customary and the common council was required to appoint election officers. The sting of this statute was drawn, however, by the provision that if the council failed to make appointment the elections were to be held "according to the directions of the charters."[2] Mention might also be made of the New York laws fixing ferry rates. Although the charters apparently gave the city of New York complete ownership of ferry franchises the legislature did not hesitate to prescribe a schedule of rates when it became dissatisfied with the city's manner of regulation.[3] However, at the time of the granting of the Montgomerie charter the corporation apparently conceded the right of the legislature to exercise this power of regulation.[4]

There are also a few provincial statutes which explain or supplement uncertain provisions of municipal charters. Thus a New York act of 1702, reciting that there had been of late

Colonial Laws of New York, III, p. 546.
Ibid., V, p. 228; revived in 1774, V, p. 658.
Ibid., I, pp. 449, 925; II, pp. 298, 407, 807.
Edwards, *op. cit.*, pp. 157, 158, 173, *et seq.*

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"great strifes, debates and suites in the election of charter officers" in New York, explained, declared and settled "matters which are or may Seem to be Doubtfull in ye said Charter relateing to the Electing of their Magistrats", by prescribing in great detail the qualifications for suffrage and otherwise regulating the conduct of elections.[1] In the same year an act authorized the common council to hold special elections to fill vacancies caused by death or removal. This act was passed because "the Charter of the s'd City appointing the same is short and defective therein."[2] In 1771 an act determined the value of the freehold upon which freeholders in New York could vote in municipal elections, because the charter failed to make provision in respect to this matter.[3] Three years later an act was passed in relation to certain ward lines within the city.[4] So also the Virginia assembly enacted a statute regulating the qualifications for suffrage because doubts had arisen concerning the construction of the Williamsburg charter in respect to this matter.[5]

There were a number of instances in which the provincial legislatures, without actually amending municipal charters, imposed duties or obligations upon charter officers. And in some cases these statutes went so far as to impose a penalty upon these officers for failure to perform the duties imposed. Thus an act of 1695 authorized the mayor, recorder, aldermen and assistants of New York to appoint overseers of the poor and public works. This act provided for a forfeiture of five pounds each for failure to appoint these overseers annually.[6] Four years later a law with similar penalty required the mayor, aldermen and assistants to appoint overseers of public works and buildings.[7] In 1706 the corporate officers of both New York

[1] *Colonial Laws of New York*, I, p. 490.

[2] *Ibid.*, p. 515.

[3] *Ibid.*, V, 228.

[4] *Ibid.*, V, p. 609. See also acts of 1772 and 1775 in relation to the dividing line between the city and the township of Harlem. *Ibid.*, V, pp. 432, 841.

[5] Henning, *Statutes at Large of Virginia*, V, p. 204.

[6] *Colonial Laws of New York*, I, p. 348.

[7] *Ibid.*, p. 425.

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and Albany were required to levy a tax for fortifying the city under "such pains by Fines and imprisonment" for failure to do so as the courts might determine. An act of 1726 imposed a forfeiture of one hundred pounds on the mayor, recorder and aldermen of Albany if they failed to perform their obligations under an act levying duties for the support of the colony.[1] Five years later the same officers were threatened with fine and imprisonment if they failed to levy annual taxes for the purpose of fortifying the city.[2] By an act of 1757 the corporate officers of New York were threatened with similar punishment if they failed to levy a tax for erecting military barracks.[3] A year later they were required to levy taxes for the finishing of a new jail under penalty of fine and imprisonment.[4] A New Jersey statute of 1768 imposed a penalty of five pounds upon all officers of cities, townships and precincts who failed or refused to deliver to their successors the several laws in their custody.[5]

There were likewise instances of colonial laws imposing duties on the corporate officers of cities which did not go to the extreme of attaching a penal sanction. Thus a Pennsylvania law of 1722–23 required the mayor and commonality of Philadelphia to construct landings and maintain a ferry.[6] Having previously authorized the corporate officers of Philadelphia to raise money for street improvements, and the corporate officers having apparently ignored the grant of authority, the Pennsylvania legislature in 1761–62 enacted that the mayor, recorder and alderman "are hereby (strictly) enjoined and required" to raise money for this purpose.[7] In 1714 the New York legislature imposed duties on the corporate officers of

[1] *Colonial Laws of New York*, II, p. 281.

[2] *Ibid.*, II, p. 719.

[3] *Ibid.*, IV, p. 211.

[4] *Ibid.*, IV, p. 309.

[5] *Acts of the General Assembly of the Province of New Jersey, 1702-76*, p. 301.

[6] *Statutes at Large of Pennsylvania, 1682-1801*, vol. III, p. 383. See also act of 1727 relating to this ferry. *Ibid.*, IV, p. 80.

[7] *Ibid.*, VI, p. 186.

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Albany in respect to trading with the Indians.[1] In 1741 the officers of New York were required to pay William Roome for his services as a member of the general assembly, he having refused to serve gratis.[2] Duties were also imposed upon them with respect to public wells and pumps and the levy of taxes for their maintenance.[3] In 1746 duties were imposed upon the corporate officers of Albany with respect to the maintenance of a military watch.[4]

Mention has already been made of the fact that Parliament frequently created special commissions for the performance of municipal functions, to which commissions the corporate officers of the boroughs were not infrequently attached as members. Somewhat similar statutes were enacted in one or two of the American provinces, notably in Pennsylvania. Thus in that province an act of 1700, applicable generally to all cities and towns, authorized the governor to appoint inhabitants to regulate the streets and water courses, repair landing places, and levy special assessments.[5] An act of 1712 provided for the election in Philadelphia of six assessors who should assist with the mayor, recorder and aldermen in calculating the debts and public charges needed for various municipal purposes.[6] An act of 1745–46 not only conferred on the burgesses and common council of the borough of Bristol the power to appoint a president, treasurer and assistants for a new house of correction or workhouse for the borough, but also erected these officers into a separate corporation.[7] An act of 1750–51 named six wardens for Philadelphia who were empowered to erect and maintain street lamps and to appoint watchmen. The act required the mayor, recorder and four aldermen to regulate the

[1] *Colonial Laws of New York,* I, p. 828.

[2] *Ibid.,* III, p. 158. See also III, p. 619.

[3] *Ibid.,* III, p. 181. Revived in 1774, III, p. 400.

[4] *Ibid.,* III, p. 563. Revived, *ibid.,* III, p. 676.

[5] *Statutes at Large of Pennsylvania, 1682-1801,* II, p. 65. The act also required every property owner in Philadelphia, Newcastle and Chester to plant shade trees.

[6] *Ibid.,* II, p. 414.

[7] *Ibid.,* V, p. 31.

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watchmen. Thereafter these wardens were to be annually elected by the freeholders.[1] An act of 1761–62 created a practically identical organization of commissioners with power over street paving and cleaning in Philadelphia.[2] An act of 1764–65 provided for the election of three assessors in the borough of Lancaster who should act with the burgesses and at least two assistants in the matter of levying taxes for the maintenance of street lights and a night watch.[3] A New Jersey act of 1754, authorizing the free borough and town of Elizabeth to to build a poorhouse, workhouse and house of correction and to repair jails, erected the mayor, recorder, aldermen and common council into a separate corporation for this purpose called "the Managers of the Poorhouse of the free Borough and Town of Elizabeth."[4] A New York act of 1745 required that two vestrymen be chosen in each of the seven wards of the city of New York by the freemen and freeholders, and authorized these vestrymen to levy taxes for the maintenance of the minister and the poor.[5] The above-mentioned laws are the nearest approach to the setting up in the colonial cities of commissions corresponding to those which were established in so many of the English boroughs during the corresponding period.

In Pennsylvania and New York the provincial legislature, in the exercise of what came later to be known as the police power, enacted a considerable number of laws dealing with subjects which apparently might with equal propriety have been dealt with by municipal ordinances. Fire prevention, street traffic, the running at large of animals, the storage of gunpowder, the location of noxious industries, street encroachments, the assize of bread, the breaking of street lamps, build-

[1] *Ibid.*, V, p. 111. Continued by act of 1755-56, V, p. 224. Supplemented by act of 1756-57, V. p. 284. Supplemented by act of 1765-66, VII, p. 5. Continued by act of 1770-71, VIII, p. 96, and by act of 1775-76, VIII, p. 464.

[2] *Ibid.*, VI, p. 196. Supplemented by acts of 1762-63, VI, pp. 230, 234 and 305. Supplemented by act of 1765-66, VII, p. 28, amended by act of 1766-67, VII, p. 81. Reenacted by act of 1768-69, VII, p. 277.

[3] *Ibid.*, VI, p. 441. Repealed by act of 1765-66, VII, p. 44.

[4] *Acts of the General Assembly of the Province of New Jersey, 1702-1776*, p. 198.

[5] *Colonial Laws of New York*, vol. III, p. 506.

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ing regulations, and the shooting of firearms and fireworks, were among the subjects of these laws.[1] They did not amend city charters; they merely occupied fields of regulation which under the terms of these charters might have been occupied by the cities themselves. They foretokened the system of concurrent regulation of many identical subjects by state laws and by local ordinances—a system which became practically universal at a later date and which still prevails in most parts of the country.

As might be expected, many of the colonial acts relating to municipal affairs were laws which conferred additional powers on cities, especially financial and judicial powers. None of these early city charters contained any general grant of the taxing power for local purposes. In the course of time, therefore, the corporate authorities found it necessary to have recourse to the legislature in this regard. In nearly every one of the provinces in which cities or boroughs were set up one or more laws of this kind were enacted.[2] In New York such laws were passed at almost every session of the assembly, although this was due in part to the practice of limiting the time of operation of the laws with the resulting necessity of periodic reenactment.[3] Sometimes these laws conferred the power to tax for general "public charges"; more frequently the purposes were specified. Usually, though not invariably, the maximum amount to be raised was fixed. Very occasionally these tax

[1] *Colonial Laws of New York,* I, p. 538; III, pp. 855, 993; IV, pp. 571, 748, 869, 1046; V, pp. 11, 293, 363. *Statutes at Large of Pennsylvania, 1682-1801,* II, pp. 162, 419; III, p. 22; IV, pp. 31, 215; V, p. 52; VI, p. 230; VIII, pp. 130, 429.

[2] *Acts of the General Assembly of the Province of New Jersey, 1702-76,* pp. 198, 259, 313, 314, 460. *Statutes at Large of Pennsylvania, 1682-1801,* II, p. 414; V, pp. 31, 79; VII, p. 143; VIII, p. 75. *Laws of the State of Delaware, 1700-1797,* I, p. 481. Henning, *Statutes at Large of Virginia,* V, p. 263.

[3] *Colonial Laws of New York,* I, pp. 242, 269, 313, 347, 348, 377, 411, 425, 449, 507, 576, 604, 625, 885, 890, 907; II, pp. 222, 306, 350, 645, 839, 1061; III, pp. 80, 179, 181, 248, 273, 400, 449, 506, 619, 864, 942, 1142; IV, 211, 213, 306, 309, 392, 396, 506, 536, 573, 576, 580, 615, 671, 717, 720, 754, 821, 823, 866, 870, 929, 936, 970, 1044, 1049; V, pp. 53, 56, 81, 143, 145, 217, 268, 294, 453, 459, 607, 611, 659, 720, 722, 872.

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laws were mandatory.[1] In a few instances the raising of money by lotteries was authorized.[2] In one or two instances the provinces made loans to cities.[3]

Not the least important function of the early American city was the judicial function. Since it was the provincial legislature that established the general judicial organization of the province it is not surprising to find a goodly number of laws relating to the judicial powers of municipal officers. For the most part these laws conferred additional jurisdiction upon the corporate courts or otherwise fitted them into the general scheme of provincial courts.[4]

Finally must be mentioned a not inconsiderable group of laws that conferred powers other than financial and judicial powers.[5] Although these laws have little in common aside from their empowering character, it may be of interest to note some of their subjects. Thus Albany was empowered to elect assessors (1712), to erect stockades and blockhouses (1742), to require freeholders to supply stockadoes (1755); to use the stone of an old defense wall for erecting a pierhead (1765); to furnish barracks (1765); to care for early Dutch records (1768).[6] The city of New York was authorized to regulate various matters pertaining to streets (1691, 1764, 1774); to appoint a scavenger or raker (1695); to direct freeholders or housekeepers in fortifying the city (1706); to recommend youths to be taught and visitors to supervise a public school (1737); to elect and regulate firemen (1737, 1762, 1768, 1773); to appoint a night watch (1741); to remove certain nuisances (1754–1773); to appoint pound keepers (1764); to

[1] *Supra*, pp. 193, 194.

[2] *Colonial Laws of New York*, III, pp. 528, 543; IV, pp. 126, 202, 239, 311, 621. *Statutes at Large of Pennsylvania, 1682-1801*, VII, p. 163.

[3] *Ibid.*, III, 389.

[4] *Colonial Laws of New York*, I, 303; II, pp. 766, 920; III, 79, 855, 1096; IV, 93, 355, 669, 748, 777, 1101. *Statutes at Large of Pennsylvania, 1682-1801*, II, 301, 360; III, 33, 63, 244, 257, 298, 310; IV, 73, 84, 135, 141, 157, 164, 238, 308, 360, 395; VIII, 347. Henning, *Statutes at Large of Virginia*, IV, p. 138; V, p. 204. *Laws of Maryland (1692-1784)*, 1725, ch. viii.

[5] Some of these financial and judicial laws also conferred other powers.

[6] *Colonial Laws of New York*, I, p. 777; III, pp. 230, 1106; IV, pp. 871, 901, 1052.

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furnish barracks (1766); to punish constables who failed to collect or account for taxes (1768); to inquire into tax delinquencies (1770); and to act with reference to the size and quality of bricks sold in the city (1773).[1]

The Pennsylvania legislature empowered the city of Philadelphia to appoint overseers of the poor (1705–06); to require common carters to assist in repairing streets and wharves (1712); to license masters of vessels (1721); to operate a ferry (1727); to control auctioneers (1729–30); to issue liquor licenses (1729–30, 1733–34, 1738, 1744); to supervise overseers of the poor and appoint a superintendent of the almshouse (1735); to appoint an ad-interim collector of duties on immigrants (1738, 1748–49); to fix rates for cartage (1760–61); and to regulate the depth of vaults, wells, and sinks (1762–63).[2] So likewise the borough of Lancaster was authorized to elect assessors, who should appoint a treasurer for the borough (1764–65), and to appoint surveyors of streets and elect assessors and supervisors of highways (1773–74).[3]

The few powers that were conferred upon the cities and boroughs of New Jersey were all contained in general acts and are too inconsequential for specific mention.[4] In 1718 the legislature of Maryland added certain territory to the city of Annapolis at the request of the corporation; and in 1728 the city was authorized to sell land laid out for a market house and was given title to land upon which to build a new market house.[5] In 1772 the Delaware legislature empowered Wilmington to appoint surveyors and regulators of streets, to elect an assessor and treasurer annually, and to exercise, under regulations prescribed by the law, the power of eminent domain in laying out and improving streets.[6]

[1] *Ibid.*, I, pp. 269, 348, 592; II, pp. 973, 1064; III, pp. 158, 996; IV, pp. 673, 825, 838, 901, 972, 1048; V, pp. 83, 455, 456, 655.

[2] *Statutes at Large of Pennsylvania, 1682-1801;* II, 251, 419; III, p. 252; IV, 80, 141, 157, 164, 238, 266, 308, 320, 395; V, 77; VI, pp. 65, 249; VII, 356.

[3] *Ibid.*, VI, p. 441; VIII, p. 347.

[4] *Acts of the General Assembly, Province of New Jersey, 1702-1776,* pp. 88, 283, 302, 403, 450.

[5] *Laws of Maryland (1692-1784),* 1718, ch. 19; 1728, p. 9.

[6] *Laws of the State of Delaware, 1700-1797,* I, p. 481.

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This somewhat extended analysis of the provincial laws that applied to cities and boroughs serves to show that municipal governments in the early era did not derive their authority and the scope of their powers and duties wholly from the charters granted by governors or proprietors. Almost from the beginning the provincial legislatures asserted some competence in respect to their powers and duties; and gradually in a few of the provinces, especially in New York and Pennsylvania, there developed a considerable body of statutory law relating to the government of cities.

When the Revolution arrived, therefore, it was no sudden and violent change by which complete control over the charters of cities was vested in the state legislatures. The power of the governors to issue charters ceased abruptly. For under the first constitutions the governor enjoyed only such limited powers as were expressly conferred upon him; while the legislature became the repository of all powers not expressly or impliedly denied. The Revolutionary constitutions of New York, Pennsylvania, and Maryland specifically recognized that the power to grant and alter municipal charters was vested in the legislature.[1] Elsewhere the legislature succeeded to this power by tacit implication. It was the practice which legislatures pursued in the exercise of this power which presented at a later period of our history one of the most serious problems that the American city has encountered.

HOWARD LEE MCBAIN

COLUMBIA UNIVERSITY

[1] The constitution of New York (1777), art. xxxvi, expressly validated and continued the charters of bodies politic granted by the king of Great Britain or his predecessors and provided specifically for the manner in which the officers of corporations established under such charters should be appointed "*until otherwise directed by the legislature.*"

The constitution of Pennsylvania (1776), sec. 9, vested the general assembly with power to "grant charters of incorporation" and to "constitute towns, boroughs, cities, and counties."

The constitution of Maryland (1776), art. xxxvii of the Declaration of Rights, declared that the "city of Annapolis ought to have all its rights, privileges and benefits, agreeable to its charter, and the acts of assembly confirming and regulating the same, *subject nevertheless* to such alteration as may be made by this convention, or any future legislature."

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THE TECHNIQUE OF RECONSTRUCTION AS APPLIED TO HUNGARY

IT is paradoxical that the only new orderly and scientific method in national administration which has developed in this century, the technique of financial reconstruction, has appeared in the midst of economic confusion and political bitterness. Whatever the immediate outcome of the plans for the reconstruction of Austria and Hungary, one conclusion is inescapable; the economic structure of a country is not so readily destroyed by war and dismemberment as we used to think; nor, harm once done, is restoration so long and difficult.

Hungary has the advantage of being the second country to be led through the various stages of financial improvement in the direction of a balanced budget and economic stability. When the Financial Committee of the League of Nations made its plan for Austria, in 1922, the method was untried. No one knew what effect the sudden stoppage of the printing presses and the stabilization of the crown would have on the popular attitude towards the reform plan; whether the people would acquiesce in increased taxation; or what difficulties the League's commissioner-general would encounter in dealing with the Austrian officials. A year and a half later, when Hungary started along the same road, the risks were smaller. It had been proved that inflation could be stopped abruptly without serious dislocation; that fiscal changes did not surprise the people of Central Europe; and that the difficulties of reorganizing government departments are great. Potential accomplishments and imminent dangers were set more clearly before the new commissioner-general for Hungary than they could ever have been without the precedents supplied by Austria.

Hungary and Austria, the two parts of the former empire which keep alive the old names and something of the familiar traditions, have alike suffered a long process of economic and

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financial degeneration. But in Hungary, where the majority of the people live close to the soil and are less seriously affected by commercial upheavals, catastrophe was longer delayed. At first, too, there was less temptation to government extravagance, for it was not in Budapest, but in Vienna, that the greatest of the imperial organizations lingered on.

For these and other reasons the exchanges were for a long time more favorable to Hungary than to Austria. In the autumn of 1922, when the early reconstruction measures stopped the fall of the Austrian crown and held it at approximately 70,000 to the dollar, the Hungarian crown was worth 32 times as much. At that time it still seemed possible for Hungary to recover without outside help. But the strong hand which might have been laid on the national treasury was lacking. Receipts fell farther and farther behind expenses; the government printing presses filled the gap with paper crowns which continued to lose in value; and during the course of 1923 Hungary was driven to explore every possible avenue which might lead in the direction of help from outside.

The first efforts of the Hungarian government to raise an external loan ended in failure. In April, 1923, the government asked the Reparation Commission to lift the charges on Hungarian assets imposed by the Treaty of Trianon so that they might be used as security for an external loan. The Commission replied that this could be done only when a definite loan scheme was submitted and when a definite part of the sum raised should be set apart for reparations.

The Hungarian government was well aware that the country's relations with her neighbors were not such that international accord on the subject of a loan to the distressed nation was likely to be reached. A little sounding of the financial markets confirmed this opinion. Wisely, therefore, the Hungarians set out to improve their position with respect to the adjacent states. A conference with Czechoslovakia, Rumania and the Kingdom of the Serbs, Croats and Slovenes, held in July, 1923, helped the situation a little; and in the following September conversations at Geneva, while the Assembly of the League of Nations was meeting, carried the work of settling old disputes so far that

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at the end of the month the Council of the League announced that it was ready to support a scheme for the financial reconstruction of Hungary.

The Council, however, could not act directly. The necessary preliminary formalities were met when on October 17, 1923, the Reparation Commission declared its willingness to raise the charge on Hungarian assets and invited the League to work out a plan for reconstruction. The Commission reserved its final decisions until it should have seen the plan itself.

At this point another stage of Hungary's reconstruction history opened. From the end of October, 1923, up to the latter part of April, 1924, the most important part of the work done was the framing of a plan through a long series of meetings and conferences. The preparatory survey was made by a committee consisting of Sir Arthur Salter, M. Avenol and Mr. Stoppani, who visited Hungary, examined its economic and financial conditions, gathered the necessary statistical information, and talked with Hungarian leaders. The Financial Committee of the League then took up the task, framed the reconstruction scheme, and presented it to the Council. The Council accepted the report and forwarded it to the Reparation Commission. The Reparation Commission approved it, and raised the charge on Hungary's assets as it had previously promised to do as soon as the required conditions were met. Meanwhile a financial delegation had visited Hungary and worked out the plan of budget reform, and negotiations had been begun with the various countries which held relief bonds to induce them to postpone their prior claims on Hungary's assets. At the meeting of the Council in Geneva in March, 1924, the protocols providing for reconstruction were signed by the representatives of the Hungarian Government on the one part and of the governments of Great Britain, France, Italy and the members of the Little Entente on the other.

Shortly after the protocols were signed, the Council appointed Mr. Jeremiah Smith, Jr., of Boston, commissioner-general. The necessary laws were promptly passed by the Hungarian Parliament. The law on the reestablishment of budget equilibrium was passed soon after the protocols were

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signed on March 14, and the reconstruction law and the law establishing the bank of issue were voted on April 17. On the first day of May, when the commissioner-general arrived in Budapest to take up his work, the stage was set for reconstruction proper.

The success of the financial plan which was put into operation with the coming of the commissioner-general depended upon three accomplishments outside its field. In the report of the Financial Committee of the League in the previous December these prerequisites had been stated, tersely, as follows:

> Satisfactory *political relations* between Hungary and her neighbors;
>
> Suitable arrangements with regard to her *external obligations*, particularly relief credits and treaty charges; . . .
>
> *Economic restoration and development* and all the measures required to assist it, in particular, commercial agreements with neighboring countries.[1]

In point of time and as sources of possible difficulty the political questions came first. "In the forefront", said Sir Arthur Salter, director of the Economic and Financial Section of the League, "was the political position of Hungary and her neighbors—the key not only to this problem but to the peace, stability, and ordered economic development of an important and central part of Europe."[2] These are strong words, but the Hungarian government had learned not to underestimate the importance of the political misunderstandings of the central European states, and already, in the summer of 1923, had joined in preliminary conferences with the representatives of the Little Entente.

The political situation continued to be a hampering influence in the arrangement of the details long after assistance for Hungary, in some form or other, was practically assured. At the conferences which were held in Geneva in the winter of 1923–24, the Little Entente's fear of the restoration of the

[1] League of Nations, *Monthly Summary*, May, 1924, p. 17.

[2] *Ibid.*, pp. 4, 5.

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Hungarian monarchy came to the surface again and again, delaying the completion of the reconstruction plan. In January Bucharest was agitated by a movement to oppose the Hungarian loan if Hungary insisted on reparation for the Rumanian invasion of 1919, or if the loan had priority over Rumanian reparation claims. The Hungarians, on their part, were apprehensive on the subject of further encroachments by the surrounding states.

The signing of the "political protocol" (Protocol No. 1) on March 14, 1924, together with the other protocols which make up the agreement, removed the major political issues from the field of immediate controversy. The signatories, Great Britain, France, Italy, and the members of the Little Entente, declared that they would "respect the political independence, the territorial integrity, and the sovereignty of Hungary," and that they would not "seek to obtain any special or exclusive economic or financial advantage calculated directly or indirectly to compromise that independence."

The second prerequisite for the success of the financial plan was the postponement of payments on Hungary's relief credits and treaty charges. The Financial Committee of the League demanded that the reconstruction loan should be given complete priority on all revenues and assets assigned to its service. The relief loans, which amount to only about $2,500,000, were adjusted on fairly easy terms. The first loan from the United States, for example, was funded for a period of sixty-two years with interest at three per cent for the first ten years and three and one-half per cent thereafter.

Reparation claims were a more serious matter. The nations concerned showed themselves less ready to waive their demands than they had been in the case of Austria. Protracted negotiations, which Sir Arthur Salter called "among the most delicate requiring to be brought to a successful conclusion before the scheme could be unanimously ratified", were necessary for the arrangement of the details. They closed successfully, however, with Hungary's release from cash payments for the actual period of financial reconstruction; that is, to June 30, 1926. Limited coal deliveries already provided for in the budget were to continue.

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The schedule of reparation payments was made out so that Hungary begins to pay cash with an installment of 2,500,000 gold crowns in 1927. This amount is to increase by 1,000,000 gold crowns a year, until at the end of 1943, which is also the end of the twenty-year period covered by the loan, the scheduled payments will be completed. In these twenty years, counting deliveries in kind, Hungary will have paid 200,000,000 gold crowns.

The Financial Committee believe that this charge on Hungary's budget is so moderate that it can be easily borne. It amounts to about twenty-five cents per capita annually, while the payment recommended by the experts for Germany amounts to nearly $10.00 per capita.

The League's experts cast on Hungary itself the responsibility for economic readjustment, saying that although economic and financial improvement were closely connected, the former lay outside their sphere. They made the following observations, however:

1. Commercial treaties should be arranged, to allow the freer interchange of commodities between Hungary and her neighbors.
2. Hungary should produce and market the products for which her natural resources and aptitudes fit her.
3. Direct impediments to export should be abolished.
4. Restrictions and prohibitions of imports should be reduced.

All of these recommendations arise from that fact that in the years following the dissolution of the empire Hungary developed a preference for economic isolation. It was perhaps an inevitable result of the new nationalism that the succession states should set up barriers against incoming and outgoing goods and strive to become self-sufficient. Hungary, with her capacity for agricultural self-support and her extremely difficult relations with the adjoining states, went to extremes in carrying out the policy.

The result for Hungary was a net loss of consumable products. Agriculture and the industries based upon it were not developed to their full capacity. For example, Hungary's

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wines, which had been popular in western Europe, could no longer reach their markets. On the other hand, the state forced the diversion of labor and capital into new industries, particularly new types of manufacture, which had little connection with natural resources. Import prohibitions were used to bring this about, with the result that foreign merchants were antagonized while Hungarian manufacturers attempted to build on the uncertain and uneconomical foundations which the government policy provided.

The kernel of the committee's recommendation is that a country which is in straits economically cannot afford the luxury of artificially stimulated production. The pursuit of that policy consumes the country's resources wastefully and at the same time makes it more difficult to dispose of the surplus of the supplies which the country can produce more cheaply than her neighbors.

Early in the reconstruction period the Hungarian government took steps to put the recommendations into effect. The National Assembly passed a new tariff law, in connection with which a series of commercial treaties was to be negotiated. Many of the restrictions on exports were done away with in the first part of 1924, and Hungary's grain, meat and dairy products could then be sent out of the country. Import prohibitions were continued, for the government was unwilling to give up its encouragement of new industries, but permits were granted more freely. When due allowance is made for the slowness with which national industrial habits can be changed, it appears that Hungary has been reasonably cooperative in encouraging production and foreign trade. The commissioner-general believes that even with the concessions made, however, the import duties are so high that they may hamper the economic recovery of the country.[1]

The financial reforms which are required of Hungary in return for the granting of an international loan are essentially those which were demanded in the case of Austria. The most

[1] *Seventh Report by the Commissioner-General of the League of Nations for Hungary*, Geneva, Dec. 16, 1924, p. 1.

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important of the conditions are the cessation of inflation, the establishment of a central bank of issue, the balancing of the budget by the end of June, 1926, the assignment of certain revenues to the service of the international loan, and the acceptance of control by a commissioner-general appointed by the Council of the League of Nations.

The cessation of inflation and the establishment of the new bank of issue went hand in hand. As soon as the bank began business, on June 24, 1924, it became impossible for the government to issue uncovered paper money to meet its liabilities, since the bank, which has the exclusive privilege of issuing bank notes, is prohibited from making loans to the government except against gold or stable foreign currencies. The commissioner-general found that the determination of the exact point at which the currency should be stabilized was not easy. He finally approved the choice of the rate prevailing about the middle of July. This was on a sterling basis, at a point close to that of the stabilization value of the Austrian crown, which is 70,000 to the dollar. The subsequent improvement of the pound sterling has brought with it a rise in Hungarian currency.

The bank itself was established without difficulty. The subscription list was opened soon after the law creating the bank was passed. It was necessary for the state to underwrite a part of the capital, but on the whole the result compared favorably with that for the Austrian bank of issue.

Upon the third reform required of Hungary, the balancing of the budget, the success of the whole financial program hinges. The unbalanced budget was the cause of inflation; the readjustment of the budget determines the period of reconstruction; and the attainment of budget equilibrium will close the reconstruction era and terminate outside control. As far as the technique of the reconstruction process is concerned, therefore, the budget is the point towards which all roads converge.

A government which is harassed by a growing deficit has no need of experts to tell it that either expenses must be gradually reduced or income must be gradually increased until the two balance. The point at which the technique developed by the League's experts was needed was in the decision as to which

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form the improvement should take. The recommendation proved to be different from that made to Austria. Hungary was asked to put the main emphasis upon taxation, and methods were suggested by which the revenue from that source could be increased up to a maximum of 400,000,000 gold crowns. Austria had been asked to exert every effort to economize, and to cut down the expenditure side of the budget instead. In other words, the experts thought that it was not government extravagance which was at the root of the country's financial ills, as they were inclined to believe in the case of Austria, but an inertia in trying to raise money and an unwillingness on the part of the people to contribute to the expenses of government.

It is natural enough that the two countries should have developed different faults in the critical post-war period. Vienna was the capital of the whole empire, with the tradition of maintaining government offices and enterprises on a correspondingly large scale. In private life as well as public the extravagance and gaiety of Vienna were proverbial. Budapest's government expenses were certainly not small; they were so large, as a matter of fact, that the Financial Committee made a number of recommendations for economies; but they were relatively less than Vienna's.

On the side of taxes the customs of the two countries again differ. It must be admitted that Austria, and in particular Vienna, is willing to endure a heavy tax burden. The necessary increases in taxes, therefore, have not been difficult of accomplishment in Austria. But Hungary presents a different problem. Agricultural countries have the common characteristic of yielding up tax payments reluctantly, and it is a well-known fact that Hungary is no exception.

The increases which the Financial Committee recommends should cause no hardship to the Hungarian people. The committee advises that the individual tax burden, which at the beginning of the reconstruction period was less than one-half of what it was before the war in terms of gold crowns, should be brought up to five-sixths of its pre-war weight, or fifty gold crowns per capita annually. Even at that, taxation will be lower than in the United States, Great Britain or France.

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Although the individual tax burden is light and will remain so even after the increases are made, the process of doubling the tax yield is not an easy one from the political or administrative point of view. The particular increases have been made in the places which provide the most difficulties in a country where landed interests are important. The land tax has been increased from twenty to twenty-five per cent of the net cadastral revenue, the tax on house property has been improved, and the rent laws have been so changed that the state's share in rents will be increased. The sales tax, Hungary's most productive tax, is to be kept at its present high level until the end of 1925, when it is to be reduced "to mitigate the harmful effects", to quote the Financial Committee. These, with the other taxes, make up a system in which indirect taxes form something more than two-thirds of the whole revenue, and in which land taxes play a very small part. Even in the final six months of the reconstruction period the latter will provide only about eight per cent of the revenue. Theoretically inequitable as this may seem for a country whose wealth lies in agriculture and agricultural property, it is possibly the only safe road to reconstruction. It is the task of the Financial Committee to see that Hungary increases the government revenue in a very short time, and in order to do this the most accessible sources must be utilized.

For the expenditure side of the budget the Financial Committee has nothing drastic to recommend. Economy is difficult when interest on a loan must be paid and when underpaid government servants must have their pay brought into some relation with the cost of living and with salaries in other professions. The Hungarian government has undertaken, however, under the law on the reestablishment of budgetary equilibrium, to reduce the number of state employees by 15,000. This one economy is not enough to counterbalance the added expenses necessary, and therefore the Hungarian budget total is to show increases throughout the reconstruction period until it is finally balanced at 400,000,000 gold crowns at the end of 1926.

The assignment of specified revenues to the service of the

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loan presents no problems of particular difficulty. The loan is secured by a first charge on the gross revenue from the customs, the sugar tax, and the tobacco monopoly, and on the net revenue of the salt monopoly. This type of security is similar to that which was employed in Austria, where the specified revenues, those of the customs and the tobacco monopoly, have far outrun the requirements of the loan. In Hungary the assigned revenues for the first four months of 1924 amounted to about two and one-half times the *annual* requirements for interest and sinking-fund payment on the loan. Subsequent reports of the commissioner-general showed that the returns from these sources increased as the year progressed.

The outside control accepted by Hungary for the period of reconstruction is almost identical with that for Austria. The commissioner-general, who in the case of Hungary is Mr. Jeremiah Smith of Boston, is appointed by the Council of the League of Nations. It is his duty to see that the protocols and the reform program agreed upon by Hungary and the League Delegation are carried out. He holds the proceeds of the loan, which is the only source from which deficits can be met during the reform period, since inflation has been stopped, and applies them to the government's budgetary needs if due progress in reform is being made. He also controls the revenues assigned to the service of the loan, makes the necessary payments, and returns the balance to the Hungarian government. The commissioner-general makes detailed criticisms of the expenditure and taxation system only when the reconstruction program lags.

Since there are no government guarantees, there is no "Committee of Control of the Guaranteeing Powers," as there has been in Austria. Instead a "Committee of Control" named by the Reparation Commission watches the progress of the work of reconstruction, although it cannot interfere with it and cannot communicate with the Hungarian government except through the commissioner-general or the Council of the League.

The international loan in prospect of which these reforms and concessions were made and through which the budget deficits are to be met until they disappear, if the conditions

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agreed upon are met, is not to exceed 250,000,000 gold crowns. The average issue price is 88 and the rate of interest is approximately 7.5 per cent. The loan is payable in 1944, but it can be redeemed at any time after February 1, 1934. A cumulative sinking fund is provided for the redemption of the bonds. The loan has been taken up in London, New York, and a number of continental countries, including Hungary itself.

The negotiation of a loan of this kind required a considerable period, and in the interval Hungary was in serious need of money. When inflation ceased the government issued a forced loan of 500,000,000 paper crowns, based upon a multiplication of the income tax. At about the same time it raised a floating loan of 20,000,000 Swiss francs as an advance on the international loan. With this assistance the government tided over the period preceding the first releases from the reconstruction loan itself, a period which ended in July, 1924.

The differences between the provisions for Hungary and those for Austria have been emphasized by the Austrian public and the Austrian press. The fact that the general scheme, with its essential requirements of stabilization, budgetary equilibrium, the assignment of revenues, and outside control in return for an international loan, have been the same for the two countries, has been obscured by the fact that some of the details have differed.

Some of the alterations which were made in the general reconstruction plan when it was adapted to Hungary spring from the fact that Hungary was a stronger country, economically speaking. The point of view of the Financial Committee at the time when it made its report in December, 1923, was given in the following words:

> In the case of Austria, there were fears—happily to all appearance disproved by later events—that Austria, within the frontiers defined by the Treaty of St. Germain, was essentially not "viable." In the case of such a country [Hungary] with its rich natural resources and self-sufficiency in food, the position is entirely different.[1]

[1] League of Nations, *Monthly Summary*, May, 1924, p. 16.

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This does much to explain the fact that the loan granted to Hungary was less than one-half of that required by Austria. It also throws light on the troublesome question of the larger expenditure fixed for Hungary at the end of the reconstruction period. According to the original plans Hungary was to be allowed to balance the budget at 400,000,000 gold crowns while Austria was limited to 350,000,000 gold crowns.[1] This was a matter of particular dissatisfaction to Austrians, who were accustomed to maintain more expensive state services and to give work to a larger number of state employees. It is this last item upon which heaviest emphasis has been placed. Instead of being required to discharge 100,000 employees out of a total of 250,000, as Austria was to do, Hungary was asked to discharge only 15,000 from a staff which was only slightly smaller than Austria's.

In such matters as these it is hard to avoid confusing the traditions of the past with the requirements of the present. Austria's demands of the moment rest on the great establishments of the former empire, an organization which it is difficult to relinquish. Judged from the angle of the present, Austria is a smaller country than Hungary, with a smaller population, and is far less rich in essential supplies. Given the necessary period of readjustment, Austria ought to learn to conduct its business on a smaller scale than Hungary, with its rich plains, need strain for.

In the matter of guarantees and control other differences appear, some of which can be traced to the political uncertainties in Hungary. It is commonly said that the difficulties to be guarded against in Austria were economic while in Hungary they were political; that is, Austria's weakness has been so extreme that her powers of recuperation have been questioned, while in the case of Hungary it is a too aggressive attitude which has been feared. This is reflected in the constitution of the respective committees of control. Representatives of the guaranteeing powers form the committee for Austria and repre-

[1] The budgetary limits for Austria have been greatly expanded since the original plans were made.

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sentatives of the Great and Little Ententes the committee for Hungary. The powers of the latter are more specifically defined than in the case of Austria.

The clearer determination of the powers of the commissioner-general which the Hungarian protocols contain is a distinct advantage over the earlier plan. He must see that the budget is balanced, or in the event of a resumption of control (an emergency not provided for in the Austrian protocols) that equilibrium is restored. If the reforms are not carried out according to the provisions agreed upon he may demand restricted expenditure or increased or new taxes. On the whole it is plain that the Financial Committee and the other representatives of the League who have been concerned with the financial reconstruction of Hungary have taken into account both the defects which the Austrian plan proved to contain and the variations made necessary by the peculiar characteristics of Hungary.

The first months of the Hungarian reconstruction period have given the necessary evidences of the government's good faith and the commissioner-general's skill in furthering the reform program. The prerequisites of the plan's success, political and economic improvement, have been given their share of attention. Easier relations with neighboring states have made possible the reduction of the unfavorable trade balance and the improved volume of exports and imports.[1] The value of the crown has improved and effective stabilization has been achieved. The position of the new national bank is satisfactory and the reconstruction loan has been arranged according to the earlier plans.

It is obvious that the financial plan for Hungary has benefited in a number of ways by the experience with Austria. It remains to be seen whether the technique which has been developed at Geneva is sufficiently perfected to be free of the difficulties which have appeared in the execution of the plan for Austria. These are, principally, the unwillingness of the

[1] Foreign trade figures for the first six months of 1923 and the first six months of 1924 are given in the *Third Report of the League of Nations Commissioner-General for Hungary*, Geneva, August 29, 1924.

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Austrian government to reduce its expenditures, the delay in discharging state employees, and the popular demands that the funds provided by the reconstruction loan shall be used in ways other than those originally contemplated.

Probably the Hungarian government will not have as great a temptation to swell the country's expenses to an undesirable point, for the factor which delayed fiscal ruin, the lower cost of the state services and enterprises, will continue to operate. Furthermore, the experts' plan gives Hungary's budget the opportunity of growing up to the needs of the country, whereas Austria was required to pare her budget down to match reduced territory and smaller demands for public services. Probably, also, the Council of the League will be less reluctant, a second time, to call attention to the fact that the budget program is not an arbitrary requirement on the part of the commissioner-general, but a "solemn undertaking the execution of which remains obligatory unless modified with the consent of all the contracting parties", as it had occasion to inform the Austrian government not long ago.

On the part of the Austrians there has been a tendency to ignore the fact that the Austrian government itself made certain promises of reform in order to obtain a loan from countries which were none too sure of Austria's economic future, and that this loan would not have been granted if the "solemn undertaking" referred to above had not existed. The reduction of the number of state employees, for instance, may be said to have been one of the conditions made by the powers for the granting of the loan. In so far as Austria has failed to effect the economies scheduled to result from this reform it has made use of the loan under conditions which were not anticipated. This particular question may fail to appear in the case of Hungary, however, for the changes required were so moderate that the discharges were well on their way to completion by the end of 1924.

Another of the departures from the original agreements which has been a source of difficulty in Austria may conceivably be considered in Hungary. The Austrians, having temporarily balanced the budget through increased taxation instead of

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the promised economies, demanded that the proceeds of the loan should be applied to the building up of Austrian industry. On the ground that this would constitute a violation of the agreement with the loaning countries, the commissioner-general at first refused to consider the plan. Later, however, a compromise was effected. In the provisions for the Hungarian loan there is a similar statement that the proceeds are not to be used to supply liquid capital, but only to meet the budget deficits which will arise in the course of the execution of the reform program. It is assumed that liquid capital will flow into the country through natural private channels when the economic situation has improved. When at the end of 1924 Hungary showed a budget surplus instead of the expected deficit, questions concerning the proper use of the proceeds of the loan became more pertinent.

These opportunities for misunderstanding and misinterpretation are, after all, apparently smaller in the case of Hungary than in the case of Austria. The technique of reconstruction, with its essentials of an international loan, monetary and fiscal reform, outside control, and the assignment of special revenue to the service of the loan, is fairly widely understood, and with that familiarity the comprehension of the precise terms of the bargain between the country undergoing reconstruction and the loaning powers is growing. With Hungary's secure agricultural position as the other promising factor, the reconstruction program has a good chance of success.

ALZADA COMSTOCK

MOUNT HOLYOKE COLLEGE

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THE COWES INTERVIEW AND THE KRUGER TELEGRAM

IN recent discussions of the diplomatic negotiations of the pre-war period attention has been focused very largely on the events after 1904. Even in scholarly studies of the foreign policy of William II the period preceding the formation of the Anglo-French *entente* is treated more or less as a prelude to the real action. This distribution of emphasis is perhaps natural, but it is also misleading, and, to a certain extent, false. After 1902 events seem to move towards the débâcle with the inevitability of a Greek tragedy; the lines were drawn, the time and place of the break alone remained to be determined. In the 'nineties, on the other hand, international alignments were still comparatively flexible. The Continent was already divided into two hostile camps, but the solidarity of the Dual Alliance, at least, had not been fully demonstrated, and England remained aloof, serving as a balance wheel. After 1895, as British statesmen realized the danger of isolation, this situation began to change, and the story of the next few years is very largely that of the efforts of British statesmen to effect a union with one or the other of the Continental groups. From 1898 to 1901 the dominant element in the Conservative Government sought to come to terms with Germany, and it was only when these efforts proved vain that they made overtures to France.

These important negotiations give the events of the decade before 1904 a significance fully as great as that of the years immediately preceding the Great War. It is idle to speculate on the course which history might have taken had the Anglo-German negotiations been successful, but it cannot be denied that their failure made inevitable the rivalry which paved the way to war. As yet no attempt has been made to determine the causes of the rebuff by Germany of the British proposals, and no final estimate is possible until the victors in the Great War permit an examination of the evidence contained in their

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archives. The opening of the German archives, however, permits us to make at least a tentative analysis of the events of these years and throws a flood of light on the labyrinth of German foreign policy through which historians have hitherto felt their way more or less blindly.

The result is upsetting to many of our earlier conclusions. Formerly it was customary to speak of German foreign policy as the personal creation of William II and to attribute to that policy clearness of conception and vigor of execution.[1] Apparent inconsistencies were attributed to Machiavellian duplicity.[2] Now, instead of a definite policy, capable of being compressed into a formula and regarded as the creation of one mind, we find a number of confused ambitions, fears and theories, some fathered by obscure officials of the Wilhelmstrasse, some of anonymous authorship, many in direct conflict with one another. William II recedes from his position of dictator and reappears in his proper place as the executor or as the disturber of policies formulated by others. For brief, often vitally important, moments he assumes the center of the stage, but only to give way before the steady pressure of his advisers. Our opinions of the Kaiser's ministers are similarly undergoing revision. Marschall, foreign secretary from 1890 to 1897, is no longer looked upon as a figure of major importance.[3] We now know that he had only a minor part in formulating foreign policy and that even in the solution of routine problems he showed little acuteness of intellect. Other officials, however,

[1] B. E. Schmitt, *England and Germany* (Princeton, 1916), p. 68: "He (William II) has been his own prime minister, reducing his chancellors to the position of clerks." Professor J. V. Fuller contends (*Bismark's Diplomacy at its Zenith,* Cambridge, 1922, p. 323) that by comparison with the bungling tactics of Bismark, the diplomacy of William II merits "at least being called 'consummate'."

[2] E. Bourgeois and G. Pagés, *Les Origines et les responsabilités de la grande guerre* (Paris, 1922), pp. 261, 263: "la politique impériale . . . dissimule si bien la persistance de ses desseins sous la diversité de ses manifestations que même ceux qui approchent l'Empereur hésitent à interpréter ses actes."

[3] The older view of Marschall is that of Mr. H. H. Asquith, who characterizes him (*Genesis of the War,* N. Y., 1923, p. 163) as "a real disciple of *Realpolitik*" and as "the only German Statesman whose personality and authority were such as . . . to dominate the impetuosities and vagaries of the Kaiser."

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who were formerly almost unknown to the historian are now seen to have been of incalculable importance. Of these the most interesting is undoubtedly the "Grey Eminence", Baron von Holstein, whose influence yet remains to be adequately evaluated.

The documents in the Berlin foreign office alter in an equally important manner received opinion of the foundations of German policy. Despite the shifting and inconsistent nature of German diplomacy in the 'nineties, it is possible to discover some degree of unity in the policy of the Wilhelmstrasse. The nature of this unifying element has, however, not received adequate analysis. The widely divergent interpretations put on the action of Germany in such episodes as the Jameson crisis and the alliance negotiations of 1898 to 1901 bear witness to this fact. The evidence which is now available makes it possible to replace conjecture by at least comparative certainty. As a result, it is becoming increasingly apparent that the ultimate objective of German diplomacy was not the destruction of England, as has so frequently been asserted, but rather, close alliance with that power. As early as 1893 we find this desire clearly formulated,[1] and during the rest of the decade it was never entirely lost sight of. It is even safe to say that every German statesman who had any important part in the formulation of foreign policy during this period was convinced that ultimately England and the Triple Alliance must join forces.

This sincere desire for British friendship was frustrated by that combination of swaggering self-confidence and almost abject fear which puzzled and angered foreign observers. "Germany," boasted the Kaiser in 1895, "is now in the fortunate position of being able to sit tight and await events, as no

[1] Germany, Auswärtiges Amt, *Die Grosse Politik der Europäischen Kabinette* (Berlin, 1922——), VIII, pp. 108-10. July 31, 1893, Hatzfeldt to Foreign Office, marginal comment of Caprivi:
"für uns ist der wünschenswerteste Beginn des nächsten grossen Krieges, wenn der erste Schuss von Bord eines englischen Schiffes fällt. Wir haben dann die Sicherheit, die Triple- zu einer Quadrupel-Allianz erweitern zu konnen."

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one in Europe can accomplish anything without our help."[1] England, in the opinion of the Wilhelmstrasse, was in a very different position. As early as 1893 Holstein had affirmed that the British could not long resist unaided the steady pressure of the Franco-Russian alliance. Eventually, he declared, England must either throw in her lot with the Central Powers or lose her position as a world empire.[2] This belief in the decadence of England almost at once became a fixed principle in German diplomacy and exercised a profound influence on the conduct of the Wilhelmstrasse. It seemed to make unnecessary any effort to conciliate England; rather, the obstinate British must be bludgeoned into a realization of their helplessness. It led the officials of the Wilhelmstrasse to believe, moreover, that, pending the actual conclusion of an alliance with England, Germany might safely engage in flirtations with Russia and France with the double object of breaking up the Dual Alliance and awakening Britain to a realization of her isolated position.

In strange juxtaposition with the confidence of the Wilhelmstrasse in the hegemony of Germany was a very real fear of the power of the Dual Alliance. On several occasions Berlin diplomats seemed ready even to turn against England in their anxiety either to make France forget the gap in the Vosges or to wean Russia away from France. This concern over her relation to the other Continental states did not, as will be shown, make Germany willing to see England deprived of her position as a world power. It did, however, have two very important results. In the first place, the obvious efforts of Germany to effect a *rapprochement* with France and Russia naturally alarmed British statesmen and made them suspicious of German protestations of friendship for England. Even more im-

[1] *Grosse Politik*, IX, pp. 358-60. July 30, 1895, Mem. of Rotenham, interview with William II.

[2] *Ibid.*, VIII, pp. 113-15. Aug. 2, Marschall to Hatzfeldt (drafted by Holstein): "Wenn aber Frankreich und Russland einmal anfangen, gemeinschaftlich—zunächst diplomatisch—zu operieren, wird England erwägen müssen, ob es in infinitum zurückweichen oder unter Umständen für seine Interessen eintreten will. Letzteres ist nur möglich mit Hülfe der Dreibundmächte."

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portant was the way fear of Russia affected the German attitude toward British alliance proposals. Berlin diplomats were convinced that at the first hint of an Anglo-German alliance Russia would turn against Germany.[1] In order to minimize the risk of war the Wilhelmstrasse refused to accept a flexible *entente* with England and demanded a definite treaty which, in the words of William II, would state clearly the reciprocal duties of the contracting powers.[2] It was this condition, coupled with the demand that England ally not merely with Germany but with the Triple Alliance as a whole, which shattered the negotiations at the end of the decade.

The operation of these factors inimical to the desired union with England is first clearly apparent in the events of 1895 and 1896. For that reason, a study of those years seems opportune, especially since the dramatic incidents of the Cowes interview and the Kruger telegram have during the past few years been seen very largely through the eyes of the splenetic and untrustworthy Baron von Eckardstein.[3] We now know that the Kaiser's brusque conduct at Cowes was the result, not of petty anger, but of fear that Salisbury's proposals for the partition of Turkey would bring Germany into conflict with Russia. Similarly, Holstein's proposal for a Continental alliance appears as an attempt to awaken England to a realization of her isolated position. In both cases, the evidence clearly shows that the stand taken by the Wilhelmstrasse resulted from confidence that England had no alternative except submission to the will of Germany.

I

The complex of fears and hopes which has been analyzed above resulted very largely from the unsteady course of Anglo-German relations during the early years of the "New Course" in Germany. Until the end of Lord Salisbury's second admin-

[1] *Cf. ibid.*, XIV, pp. 204-7. April 3, 1898, Bülow to Hatzfeldt.

[2] *Ibid.*, XI, p. 10. Oct. 25, 1895, William II to Marschall, conversation with the British military attaché.

[3] Hermann, Freiherr von Eckardstein, *Lebenserinnerungen und Politische Denkwürdigkeiten* (Leipzig, 1920-21, 3 vols.).

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istration in 1892 the officials of the Wilhelmstrasse had been quite content with an informal *entente* by which England had assumed most of the responsibility for the preservation of the *status quo* in the Near East, while British interests outside Europe, notably in Egypt, had received support from Berlin. This partnership had, however, been allowed to lapse by Lord Salisbury's Liberal successors at a time when the increasing intimacy of France and Russia was making the hegemony of the Triple Alliance precarious. The defection of England at so critical a juncture seemed to German diplomats conclusive proof of the danger of informal understandings with a parliamentary government in which foreign policy was at the mercy of the vagaries of domestic politics. An *entente* with such a state would be of doubtful value in a crisis, since a change of ministry might leave the Triple Alliance to cope unaided with the forces of France and Russia.

Alarmed by this possibility, the Imperial Chancellor, Caprivi, had ordered a change in the course of German diplomacy early in 1894.[1] He frankly admitted the failure of his earlier policy of cooperation with England and now began to devote all his energies to the task of repairing the wire to St. Petersburg. The attempt to retain the good will of Britain was abandoned. Instead of support, English interests now met with opposition from Berlin. In incidents such as the Congo treaty dispute of 1894 the officials of the Wilhelmstrasse did their utmost to show that an unfriendly Germany could impose an insuperable barrier to British expansion.

On the return of Lord Salisbury to office in July, 1895, there remained little trace of the friendly cooperation which had formerly united London and Berlin. German diplomats be-

[1] The German point of view is set forth at length in the memoranda prepared by Caprivi and Marschall in response to the request of Kalnoky that Germany support a proposed Anglo-Austrian *entente* for the defense of the Straits. Caprivi stated bluntly his conviction that England was an untrustworthy and useless friend and that the efforts of the Triple Alliance must henceforth be devoted to the task of separating Russia from France. *Cf. Grosse Politik,* IX, pp. 134-39, 144-46. March 8, 1894, Mem. of Caprivi, prepared for the information of William II and the Austrian ambassador. March 28, Marschall to Hatzfeldt. April 23, Mem. of Caprivi.

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lieved this defection to be only temporary, however, and were confident that their successful opposition to British ambitions would soon awaken the English to a realization of the value, even the necessity, of close friendship with the Triple Alliance. The victory of the Conservatives was expected to pave the way to a reconciliation, and was, therefore, received with enthusiasm in Berlin.[1] At the same time the Wilhelmstrasse indicated plainly that the events of the preceding years had left an indelible impression on German policy. Press and foreign office showed at once a cynical mistrust of British sincerity and a determination not to embark on any course which might impair the newly established friendliness between Berlin and St. Petersburg.[2] "Our attitude must be one of *absolute reserve*," declared the Kaiser, expressing the settled policy of his advisers. "When England needs us, she will come to us herself, and we will be able to sell our support in exchange for concessions (Zanzibar, etc.)."[3]

This course seemed amply justified by the changed views of Lord Salisbury on the Near Eastern question. Instead of returning to his earlier cooperation with the Triple Alliance against Russia, he now not only showed indifference to the fate of Constantinople, but actually proposed a partition of Turkey.[4]

[1] At the end of 1894, when Italy, alarmed at the growing hostility between England and Germany, proposed that the Triple Alliance cooperate with Russia in the Armenian question, Marschall imposed an emphatic veto. The Liberal rule could not last much longer, he wrote, and with the return of Lord Salisbury, England and Germany would once more become friends (*ibid.*, IX, pp. 215, 216. Dec. 19, Marschall to Bülow). The *North German Gazette* (July 25,1895) congratulated the English people on their "common sense" in returning to office Lord Salisbury, "whose policy in former years possessed the virtue of consistency."

[2] The semi-official Dresden *Journal* (July 31) warned its readers not to expect any benefit to accrue to Germany from the Conservative victory as the British sought cat's-paws rather than friends.

[3] *Grosse Politik*, IX, pp. 358-60. July 30, 1895, Mem. of Rotenham, conversation with William II.

[4] Lord Salisbury had never fully subscribed to the Conservative dogma that the Straits were the key to India. In the crisis of 1876-78 he had frankly declared that "I deplored the Crimean War—and I heartily wish the Turks were out of Europe" (Lady Gwendolen Cecil, *Life of Robert, Marquis of Salisbury*, London, 1921, 2 vols., II, p. 86. Sept. 23, 1876, letter to Sir Louis Mallet).

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This change of policy became apparent almost immediately after the Conservative Government had taken office. Early in July Salisbury hinted to Count Hatzfeldt, the German ambassador, that the Armenian massacres then taking place might be a prelude to the dissolution of the Ottoman Empire.[1] Some days later he was given an opportunity to put this idea in more concrete terms. On July 30, Hatzfeldt alluded to the hazardous position of the Italian forces in Abyssinia and remarked that, as old allies, the Italians were expecting some assistance from England.[2] This suggestion was turned aside by Salisbury. The "Abyssinian adventure", he stated bluntly, was too large an undertaking for Italy ever to cope with. Why not, he asked, give Tripoli and Albania to Italy as her share in a par-

He had admitted, however, the difficulty of effecting a satisfactory division of "that kind of jetsam." "If the Powers quarrel over it, the calamities of a gigantic war must be undergone. If they agree, people call it a partition and denounce it as immoral." (*Ibid.*, II, p. 80. Jan. 14, 1876, to the same.) Despite this danger he had advocated for a short time after the Congress of Berlin a plan for what was practically the division of Turkey into spheres of influence. When even the audacious Beaconsfield drew back from the idea, however, it was allowed to die, (*ibid.*, II, pp. 305-12) and Lord Salisbury then took up seriously the only other alternative, the strengthening of the Ottoman Empire. For a time everything had gone well, and during his second administration Salisbury himself seemed optimistic about the future of Turkey (*cf.* speech at Glasgow, *Times*, weekly edition, May 22, 1891).

This respite had proved to be only temporary. In 1894 disturbances in Armenia led to the sending of Kurdish troops into that area by the sultan, and shortly afterwards the western world was horrified by tales of what Lord Rosebery characterized as "not merely massacres, but horrors unutterable, unspeakable, unimaginable by the mind of man" (*ibid.*, May 16, 1896). The refusal of Rosebery to take action in the face of the apathy, even hostility, of the other powers to intervention was one of the causes of his downfall. Lord Salisbury had no intention of leaving office for such a reason. The explanation of his Armenian policy, he later told Hatzfeldt, was not to be found in the sinister motives with which the Continental chancelleries liked to credit him, but in the fact that "I have no desire to lose my majority." (*Grosse Politik*, XI, pp. 62, 63. March 15, 1896, Hatzfeldt to Hohenlohe.)

[1] *Grosse Politik*, X, pp. 40, 41. July 10, Hatzfeldt to Hohenlohe.

[2] Italy had only with difficulty been restrained from sending out an appeal for aid from the Triple Alliance and England. From the latter Italy hoped to secure the right to use Zeila as a base for military operations. *Ibid.*, X, pp. 3-8. July 15, 1895, Bülow to Holstein. Pribram, A. F., *The Secret Treaties of Austria-Hungary, 1879-1914*, (Cambridge, 1920-21, 2 vols.) II, p. 104.

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tition of Turkey? He declared that the Ottoman Empire was too rotten, "*trop pourrie*", to be saved, and that the powers might well begin to think of a division of the spoils.[1]

The attitude of the Berlin government towards this proposal was determined very largely by the mistrust of England which had grown up in the Wilhelmstrasse, especially in the mind of Holstein, during the two preceding years. Hatzfeldt, who had been regarded by Bismarck as the "best horse in his diplomatic stables," and who was favored by the opportunity for direct observation given by his position in London, advocated a favorable hearing for Salisbury's plan. Here, contended the ambassador, was the long-awaited opportunity to unite the forces of the British Empire and the Triple Alliance.[2] It was, indeed, not difficult to see that the peaceful partition of Turkey, even apart from its effect on Anglo-German relations, would be an almost unmixed blessing for Germany. The Near Eastern question was the one great issue separating St. Petersburg and Berlin. If Salisbury's plan were successful in removing this source of friction, there would remain no real reason, so far as Russia was concerned, for the continuance of the Dual Alliance, and France would once more be isolated. Opposed to this tempting possibility, however, was the hard fact that earlier efforts to solve the Near Eastern question, as at Berlin in 1878, had aggravated rather than helped the difficulty. Further, the attempt begun in 1893 to divert the expansive energies of Russia to the less contentious field of Eastern Asia seemed well on the way to success by the middle of 1895.

Fear of the effect which renewed discussion of the Turkish question might have on Russo-German relations was, therefore, a cogent argument against any support to Salisbury's proposal by the Wilhelmstrasse. This objection alone would not, however, have prevented at least an academic discussion of the question had not other factors intervened. Before 1893 matters of no less potential importance had frequently been con-

[1] *Grosse Politik*, X, pp. 9-13. July 30, 31, Hatzfeldt to Holstein (telegram and letter).

[2] *Ibid.*

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sidered frankly and in excellent temper by Salisbury and Hatzfeldt. Such discussion implied mutual confidence, however, and by 1895 the Wilhelmstrasse had lost faith in British friendship. The events of the Gladstone-Rosebery administration seemed to German diplomats conclusive evidence of English willingness to sacrifice the Triple Alliance in order to gain some temporary advantage, and Salisbury's partition plan was thought to be in harmony with this policy. Holstein, whose influence was then at its height, saw in the proposals of the British statesman a Machiavellian attempt to start a "war of diversion." The eastward expansion of Russia and the pressure of France in Egypt and Siam, argued Holstein, must soon lead to a clash between England and the Dual Alliance. What could be more natural, therefore, than that Lord Salisbury should try to precipitate a war in the Near East where the battles of England would be fought by the Triple Alliance? England, he concluded, no longer able to resist the encroachments of the Dual Alliance, and unwilling to ally loyally with the central powers, sought to involve the Continental states in general ruin so that none could oppose her will.[1] Hatzfeldt protested in vain that Salisbury was merely trying to end the eternal Turkish question and would accept any plan which Germany might present.[2] Holstein refused to accept such a simple explanation and warned the Kaiser, who was then on his way to England, not to give any encouragement to Salisbury's schemes.[3]

William II was no less anxious to prevent the reopening of the Near Eastern question. The events of the preceding years had thoroughly cured him of his extreme Anglophile tendencies and he had fallen in readily with Caprivi's plan to revive the old friendly relations with Russia. He pronounced the partition proposal "*echt englisch*", therefore, and promised to squelch it during his visit to Cowes.[4]

[1] *Grosse Politik,* X, pp. 13-15, 19, 20. Aug. 1, 2, Rotenham to Hatzfeldt (two telegrams). August 3, Holstein to Kiderlen.

[2] *Ibid.,* X, pp. 16-18. Aug. 3, Hatzfeldt to Foreign Office.

[3] *Ibid.,* X, pp. 19, 20. Aug. 3, Holstein to Kiderlen.

[4] *Ibid.,* X, p. 22. Aug. 5, Kiderlen (at Cowes) to Foreign Office. This resolution was probably strengthened by the reception accorded William II on his

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This decision had no sooner been made than the short-sightedness of Holstein's precipitate action became apparent. Before the arrival of William II in England, Hatzfeldt had told Salisbury that the Wilhelmstrasse feared the possibility of war which the partition of Turkey would entail. In reply the English statesman had reaffirmed his determination not to take any action without first consulting the members of the Triple Alliance. England, he declared, would even be willing to give Russia Constantinople with all the territory around it; Italy might receive compensation in North Africa instead of in Albania, as he had originally suggested. France would be the only power left out of the negotiations, and alone France could do nothing. In reporting this conversation Hatzfeldt warned Holstein against breaking off the negotiations even though they were not acceptable to Germany, as Salisbury would then do absolutely nothing for Italy.[1] On receipt of this telegram, Holstein reversed his position; if Russia was to be satisfied, Germany would not oppose a partition. After a brief delay necessitated by the absence of Caprivi's successor, Prince Hohenlohe, from Berlin, Holstein telegraphed to Cowes that negotiations were to be continued.[2]

Holstein's change of heart was too late by a day. On

arrival in England. The enthusiastic greetings of former years were entirely lacking, and it was very evident that the Congo treaty episode, with the consequent blocking of the Cape-to-Cairo railway, had not been forgotten. The Conservative *Standard* intimated that the Kaiser might learn some lessons in political wisdom from his grandmother, Queen Victoria. A bombastic speech which William made on board a German warship during his visit further aroused the British press; in the future, commented the *Daily News*, it was to be hoped that such orations would be reserved for delivery outside English waters. *Cf.* Eckardstein, *op. cit.*, I, pp. 270, 271.

[1] *Grosse Politik*, X, pp. 22, 23. Aug. 5, 1895, Hatzfeldt to Holstein.

[2] *Ibid.*, X, pp. 23, 24. Aug. 5, Holstein to Hohenlohe: "Wenn Lord Salisbury, wie Graf Hatzfeldt überzeugt ist, wirklich die Absicht hat, auch Russland, etwa durch das Meerengengebiet, zu befriedigen und so Frankreich für Russland entbehrlich zu machen, so ändert das allerdings die Sachlage. Unter diesen Umständen schliesse ich mich der Ansicht des Kaiserlichen Botschafters vollständig an und halte für nützlich und wünschenswert, dass er die Angelegenheit mit Lord Salisbury weiter bespricht und mit diesem, zunächst 'persönlich', später je nach Sachlage auch amtlich, Ansichten austauscht." August 6, Hohenlohe to Foreign Office. August 5 (sent on sixth), Holstein to Kiderlen.

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August 5, according to the account sent to Berlin by Hatzfeldt, Salisbury had spoken to the Kaiser of the bad situation in Turkey and hinted that a partition might be necessary. William II replied that in his opinion conditions in the Near East were improving, and that all the Sultan needed was friendly advice in getting rid of bad counsellors and in finding new ones. On the following day, after receiving Holstein's telegram, the Kaiser sought a second interview, but Salisbury failed to appear, using the transparent excuse that he was detained by a conference with the Queen.[1] Later, according to Eckardstein, Salisbury spoke bitterly of the language used by William II during their conversation, and added, "your Kaiser seems to forget that I am not a minister of the King of Prussia, but Prime Minister of England."[2] Eckardstein's memory is not to be trusted when not supported by documents, but it is significant that during the subsequent visits of the Kaiser, even at the opening of the Boer War, when German good will was vital for England, Lord Salisbury refused to meet him. These circumstances, especially the refusal to resume the discussion with the Kaiser on August 6, indicate that the interview of the day before was even less friendly than Hatzfeldt's dispatch would indicate, and that Salisbury had taken deep offense at either the words or the attitude of the Kaiser.[3]

[1] *Ibid.*, X, pp. 25-27. Aug. 7, Hatzfeldt to Foreign Office. Aug. 8, Salisbury to Hatzfeldt.

[2] Eckardstein, *op. cit.*, I, p. 214.

[3] The account of the Cowes interview is based almost entirely on the documents in the German Foreign Office. Three other versions require consideration: those of Hammann, Eckardstein and Chirol. Dr. Otto Hamman's story (*Missverstandene Bismarck*, Berlin, 1921, pp. 43-46) agrees substantially with the one given above, but is also, according to a statement made to the writer by Dr. Hammann, derived largely from the documents in the Foreign Office. Eckardstein gives (*op. cit.*, I, 210-14) a dramatic account of an interview held on August 8 on board the Kaiser's yacht. The dispatches of Hatzfeldt and the note from Salisbury to Hatzfeldt prove conclusively that this interview never took place. The general acceptance which Eckardstein's story has been accorded by serious scholars illustrates in a striking manner the lax critical standards which have been applied to sources dealing with the pre-war period. The account of Sir Valentine Chirol (*Times*, Sept. 11, 1920) is based on documents shown to him by Holstein in 1901, and on a conversation with Marschall

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In most discussions of these events of July and August, 1895, attention has been focused almost exclusively on the dramatic passage of arms between William II and Lord Salisbury at Cowes. This episode, moreover, has been seen through the distorted vision of Eckardstein. The importance of Holstein in determining the policy of Germany, and, in particular, the significance of his change of front on August 5, have been overlooked. As a consequence the motives for the Kaiser's action at Cowes have been misinterpreted. English and American writers have usually accepted Eckardstein's assertion that the ire of William II was aroused by a fancied snub. German writers have naturally shown a juster appreciation of the part taken by the Kaiser in the formulation of foreign policy, but even they have missed the meaning of the attitude of the Berlin Government. Dr. Hammann, for instance, believes that Salisbury's proposals were rejected because of fear that the partition of Turkey would hamper the Bagdad Railway.[1]

in 1896. Chirol says that Holstein showed him "what purported to be a copy of the Emperor's own record of the Cowes conversation", containing a detailed account of the interview, which Chirol characterizes as "long and sharp." No such document now exists in the Foreign Office files. It is probable that Chirol was shown Hatzfeldt's dispatch, the details of the Cowes interview being supplied by Holstein. The latter supposition is strengthened by Holstein's own memorandum of his conversation with Chirol (*Grosse Politik*, XVII, pp. 101-106, Oct. 31, 1901, Mem. of Holstein). In this, Holstein says he told Chirol of the rejection of Salisbury's proposals by William II, and added that this refusal "durch ihre Lebhaftigheit ihn (Salisbury) wohl verletzt haben möge", as Salisbury had evaded a second interview. After his conversation with Marschall in 1896, Chirol brought the German version to the attention of Salisbury, whose only comment was that "it showed the expediency of having a third party present when talking to the Emperor if he made it his practice to put into his interlocutor's mouth proposals which emanated from himself." Again in 1901, Chirol took up the matter with the British Foreign Office, and was told that Salisbury had left no record of his conversation with the Kaiser. This, considering the importance of the episode, may well be doubted, as may also Salisbury's evasive reply in 1896. The latter may illustrate Lord Salisbury's belief, as recorded by his daughter, that "when a Minister's confidence is being forced no one has a right to read more than verbal accuracy into his reply." (Cecil, *op. cit.*, II, pp. 262, 263.) In none of these versions of the Cowes affair is the importance of the attitude of Holstein brought out.

[1] *Op. cit.*, pp. 44, 45.

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Apologists of the New Course, on the other hand, hold that the refusal of the Kaiser to listen to Salisbury's imperialistic plan demonstrates the pacific nature of German diplomacy.[1]

The evidence of the closing months of 1895 does not support either of these opinions. The Bagdad Railway project was not yet of sufficient official importance to enter into the correspondence at all, while there is ample proof that Germany would have been willing to see Russia in Constantinople provided the Triple Alliance were given compensation in the Balkans or elsewhere.[2] Far more significant, however, is the fact that the negotiations for the partition of Turkey were brought to an end, not by the German Government, but by Salisbury himself. Even after the refusal of the latter to resume his discussion with the Kaiser at Cowes, Count Hatzfeldt was instructed to endeavor to effect a reopening of the question.[3] The ambassador replied that as Lord Salisbury seemed "somewhat more reserved" than formerly, it would be well to let the matter rest for a time.[4]

The course taken by Germany was not, therefore, firm and decisive; neither was it actuated by dislike of imperialistic ventures or desire to preserve Turkey for German exploitation. It was, instead, vacillating, compounded of fear and confidence. The suggestion of Lord Salisbury was at first brusquely refused a hearing, then, when the time for action had passed, taken up with apparent enthusiasm. This uncertainty reflected the confusion of ideas in the Wihelmstrasse. Fear of giving offense to Russia in this case not only barred the way to the much de-

[1] *Cf.* H. O. Meisner, "Der 'Neue Kurs'", *Preussische Jahrbucher,* vol. 196, pp. 273, 274 (April 1924); and Dr. Hans Rothfels, in the *Vossische Zeitung,* May 15, 1924.

[2] *Grosse Politik,* X, pp. 32, 33. Aug. 18, 1895, Eulenburg (Vienna) to Hohenlohe. In a long marginal note the Kaiser argued that the collapse of Turkey was inevitable and that the Triple Alliance must look out for its share of the spoils. A year later (*ibid.,* XII, pp. 61, 62. Sept, 4, 1896, William II to Foreign Office) the Kaiser took the same stand in a conversation with the King of Saxony.

[3] *Ibid.,* X, pp. 25-27. Aug. 7, Hatzfeldt to Foreign Office, repeating instructions from William II.

[4] *Ibid.,* X, p. 28. Aug. 14, Hatzfeldt to Foreign Office.

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sired friendship with England, but defeated its own ends. By the time Holstein awakened to a realization that the British proposals might cut the Gordian knot of Russo-German rivalry, his earlier stand had rendered the negotiations abortive and compromised official relations between London and Berlin. The officials of the Wilhelmstrasse were willing to risk the latter danger because, as will be shown in greater detail later, they were confident that fear of Russia and France would prevent Britain from making any show of hostility against Germany.

The reconciliation of the Triple Alliance with England which was expected to follow the return of the Conservatives to office, did not, therefore, take place. Berlin diplomats laid the whole blame at the door of Salisbury, whose diplomacy, said Holstein, was characterized by "haughtiness, lack of consideration for others, and unwillingness to negotiate on the basis of reciprocal concessions."[1] The Kaiser was thoroughly antagonized by the attacks made upon him by the Conservative press during his visit and by the snub which he had received from Salisbury.[2] Neither William II nor any of his advisers was cast in sufficiently large mould to keep statecraft free from considerations of personal animus, and as 1895 drew to a close the drift of German policy away from England and towards Russia became increasingly marked.

II

Holstein's peremptory refusal to consider Lord Salisbury's partition plan when it was first broached had been largely prompted by fear that England was striving to foment strife between the Triple and Dual Alliances so that neither would be able to oppose British ambitions. This suspicion was quieted

[1] *Ibid.*, X, p. 29. Aug. 14, 1895, Holstein to Hatzfeldt.

[2] *Ibid.*, XVII, pp. 101-106. Oct. 31, 1901, Mem. of Holstein, interview with Chirol, describing the effect of Salisbury's snub on the feeling of William II toward England. Eckardstein, *op. cit.*, II, 282: "Namentlich gelang es ihm [Salisbury] durch sein flegelhaftes Auftreten im Herbst 1895 in Cowes, den besten Freund, den England in Deutschland hat, den Kaiser, in eine Stimmung zu bringen, welche dann das ihrige zur Ablassung des Krugertelegramms beitrug."

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only temporarily by Hatzfeldt's arguments, and revived with new force after the return of William II from Cowes. To the officials of the Wilhelmstrasse, who had convinced themselves of the dependence of England on the good will of the Triple Alliance, the British policy seemed a perverse refusal to face the facts of the international situation.[1] It could not be denied, however, that the strategy of Lord Salisbury was meeting with at least temporary success. "English statesmen", complained Hohenlohe, "go their way confidently and unerringly, secure in the conviction that the two great Continental groups are so completely paralysed by mutual mistrust that they have neither the time nor strength to oppose the gradual advance of British power outside Europe."[2] During the closing months of 1895 the Wilhelmstrasse sought repeatedly to convince the London government that ultimately this policy must be no less dangerous to England than to Germany. When these efforts produced no effect, Berlin diplomats concluded that, since friendly measures had failed, Britain must be brought by fear to a recognition of her dependence on the Central Powers. This aspect of the Jameson crisis, which has been curiously neglected by historians, is revealed with striking clearness in the memoranda of Holstein preserved in the Berlin foreign office.

The Near Eastern question remained for some time the chief source of friction between England and Germany. Lord Salisbury did not, apparently, abandon all hope of a partition of Turkey after his passage of arms with William II, so that the Wilhelmstrasse was kept in a state of apprehension by rumors of negotiations between England and the Dual Alliance.[3] The attempts of Salisbury to provoke the Triple Alliance to action against Turkey by pressure on Austria and Italy aroused even more alarm in Germany.[4] Press and foreign office were one in

[1] This thought is well developed in dispatches of Hohenlohe to William II. (*Grosse Politik*, X, pp. 112-14. Nov. 22, 1895), and Marschall to Eulenburg (*ibid.*, X, pp. 242-45. Dec. 23, 1895).

[2] *Ibid.*, XI, pp. 69-71. Jan. 1, 1896, Hohenlohe to Münster.

[3] *Ibid.*, X, pp. 28, 29, 33-35. Aug. 14, Hatzfeldt to Foreign Office and to Holstein (two telegrams). Aug. 31, Hatzfeldt to Hohenlohe.

[4] The Armenian policy of Salisbury remains in an obscurity which recent

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thinking that Britain was trying to provoke a war from which she could stand aloof and reap the benefits while the Continental powers were destroying one another. German diplomats devoted themselves, therefore, to the task of preventing Italy and Austria from taking any action against either Turkey or the Dual Alliance until England was also committed to action.[1] In this task they were successful, but at tremendous cost. In Vienna and Rome mistrust of British motives was much less keen than in Berlin. Austrian and Italian statesmen interpreted the effort of Germany to restrain her allies as evidence of unwillingness to live up to the terms of the Triple Alliance, and they were increasingly alarmed at the growing hostility between England and Germany.[2] This division between the Central

studies have done little to dispel. It is almost certain, however, that the British action is not entirely explained by that "spirit of disinterested humanitarianism" which Professor G. P. Gooch (*History of Modern Europe*, London, 1923, p. 232) discovers in British foreign policy. It may well have been, as Holstein contended, that Salisbury's purpose, at least in part, was to divert the attention of the Dual Alliance away from Egypt (*Grosse Politik*, X, pp. 19, 20. Aug. 3, Holstein to Kiderlen). In 1894 Marchland had started for the Sudan. Interpellations in the House of Commons on the object of his mission had led to the statement by Sir Edward Grey that a French expedition to the upper Nile would be regarded by England as an "unfriendly act" (Hansard, *Parliamenary Debates*, 4th Ser., XXXII, col. 406. March 28, 1895). In reply, Hanotaux had denied the existence of any British authority over the Sudan. The question was still unsettled when Salisbury assumed office in 1895. The significant thing for this study, however, it not Salisbury's policy, but the German reaction to it.

[1] *Cf. supra*, note 1, p. 232, also *Grosse Politik*, X, pp. 151-55. Nov. 4, 1895, Mem. of Marschall, interview with the Austrian ambassador: "wenn England beiseite bleibt, könne ich dem Botschafter ganz offen sagen, dass wir alles aufwenden würden, um Osterreich-Ungarn von dem Eintreten in einem Konflikt mit Russland abzuhalten . . . Trete Osterreich-Ungarn trotzdem aktiv auf, so wurde es lediglich auf eigenes Risiko handeln." The popular mistrust of England is reflected in the statement of the Cologne *Gazette* (Dec. 17) that, although England professed anxiety to settle the Armenian question, she had never displayed eagerness to cooperate with other powers in any definite action. Earlier (Aug. 1) the semi-official Dresden *Journal* remarked cynically that Germany was wary of English friendship because "if England occasionally honors another power with her friendship, one will certainly be able to smell the fire out of which the 'friend' is to pull the chestnuts." The Conservative and Bismarckian organs were, of course, much more violent in their denunciation of England's Armenian policy.

[2] *Grosse Politik*, X, pp. 144-46, 157-59, 223, 224, 239, 240. Oct. 28, Lichnowsky

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Powers was particularly inopportune since the Triple Alliance, upon which Germany was now more dependent than ever before, was approaching its renewal date.

While the officials of the Wilhelmstrasse were working with rising temper to block Salisbury's "traitorous" Turkish policy, fuel was added to their wrath by unmistakable signs of approaching trouble in South Africa. Here, as in the Near East, Germany was determined to preserve the *status quo*, at least temporarily. A large section of German official and popular opinion, headed by William II, even looked forward to the time when the Boer states and Portuguese East Africa, with its splendid harbor of Lorenzo Marques, would fall within the German sphere of influence.[1] The demand of the British press that the English *Uitlanders* be given a share in the government of the Dutch republics provoked, therefore, a vigorous reply in Germany. This clash of opinion had been reflected in official relations from the beginning of 1895, when a complaint of the British ambassador that Germany's excessive interest in South Africa might lead to embarrassing complications had provoked Marschall into a sharp denunciation of Cecil Rhodes.[2]

After the clash of William II and Lord Salisbury at Cowes the desire of the Wilhelmstrasse to checkmate British designs on the Boer republics gained new force. In the Near East Germany had sought not only to prevent England from using

(chargé at Vienna) to Hohenlohe, quotes Goluchowski as saying: "Man muss die Engländer nicht so schlecht behandeln. . . . Presskriege bedeuten nicht viel, aber der Ton der britischen und deutschen Presse war letzthin sehr bedauerlich." Nov. 8, Eulenburg to Hohenlohe, is similar. Dec. 5, Bülow to Hohenlohe: Blanc had shown Bülow a dispatch to be sent to the Italian ambassadors at London, Vienna and Berlin, containing an appeal for better Anglo-German relations. Bülow induced Blanc to omit that part. *The Times* Oct. 7, gave extensive quotations from the Vienna press reflecting uneasiness at the bad relations between Germany and England, and displeasure at the obvious attempts of Germany to conciliate Russia.

[1] *Cf. infra,* p. 243. *Cf. Times,* Dec. 27, 1895, for an excellent summary of the growing German interest in the Transvaal. *Ibid.,* Dec. 30, Berlin correspondence: "For some time past . . . the pressure of public opinion has been driving the policy of Germany towards the assumption of a sort of moral protectorate over the Dutch Republics of South Africa."

[2] *Grosse Politik,* XI, pp. 3-5. Feb. 1, Mem. of Marschall.

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the Triple Alliance as a cat's-paw against Turkey and the Dual Alliance but also to emphasize the dangers of British isolation. In South Africa Berlin saw another opportunity to awaken the British to a realization of the impotence to which they were, as Germany believed, reduced by their isolation. William II took up this idea shortly after his unsatisfactory passage of arms with Lord Salisbury. At a banquet on October 14, 1895, the retiring British ambassador had remarked to Marschall that he was happy to leave Anglo-German relations on so amicable a basis. In his opinion only one black spot remained—South Africa.[1] He feared, however, that in this problem "the continuation of Germany's present attitude would lead to serious consequences."[2] William II seized on this expression and magnified the incident into a deliberate insult. In an impassioned interview with his friend the British military attaché he complained that "for a few square miles full of negroes and palm-trees England threatened her only real friend, the German Kaiser and the grandson of Her Majesty the Queen of England, with war!" He dwelt at length on the isolation of England, the result, he said, of her policy of "selfishness and bullying", and concluded with an expression of the earnest hope that England would soon realize that her only safety lay in a firm accord with the Triple Alliance.[3]

[1] *Ibid.*, XI, pp. 5-7. Oct. 15, Mem. of Marschall. Marginal comment of William II: "So? Nur?"

[2] Comment of William II: "Auch das noch! drohen, wo sie uns in Europa so nötig haben! Uns für die Ueberhebung von Rhodes verantwortlich machen."

[3] *Ibid.*, XI, 8-11. Oct. 25, William II to Marschall, report of conversation with Colonel Swaine. Hohenlohe tried to tone down the effect of the Kaiser's remarks by telegraphing to Rome and London that they represented "nicht einem dauernden Grundsatz, sondern einem der augenblicklichen Lage anzupassenden Gedanken." (*Ibid.*, XI, p. 11, f. n.) *Cf.* also the *Kaiser's Letters to the Czar* (N. Y., 1920), pp. 24, 25 (letter of Oct. 25, 1895): "He (the British ambassador) was even so undiplomatic to utter the word 'war'. . . . I have made an answer to the effect that the British are making themselves ridiculous in this case, and if they got into trouble with anybody else I would not move a Pomeranian Grenadier to help them. I suppose that will cool them." Lord Salisbury dismissed the matter with a simple denial that the remarks attributed to the ambassador represented the views of the English Government. To the Kaiser this seemed a decided diplomatic victory. "Der Britische

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In the months following, William II missed no opportunity to urge this doctrine of English helplessness. In December, upon hearing a rumor that England had proposed to Russia a condominium in Constantinople, he again sought out the British attaché. After indulging in a long diatribe on the perfidy of British policy, the Kaiser hinted broadly that the Continental powers were contemplating an alliance for the purpose of defeating the treacherous machinations of Britain. In patronising language which must have been a bitter draught for Lord Salisbury, the Kaiser said that, while he was aware that the British were increasingly jealous of Germany, especially of her trade, he could not understand why they would not look the facts in the face and realize that ultimately they must ally with Germany.[1]

By the end of 1895 the officials of the Wilhemstrasse were convinced of the futility of further amicable attempts to bring England to a realization of her community of interest with the Triple Alliance. They held that the events of 1895 had shown the willingness of Britain to sacrifice her friends, even her own real interests, in order to secure some monetary advantage. In the Armenian and Abyssinian questions they felt that England was betraying her old associates, Austria and Italy, in order to force the Triple Alliance into a war against what they regarded as the natural foe of Britain, the Dual Alliance.[2] They looked upon the gradual encroachment of English power on the Boer states as the act of an international highwayman who felt secure against punishment. In order to put an end to these aggressive activities and to awaken England to a realization of her dependence on the Triple Alliance, the German Government began to consider seriously the idea of an alliance of the Con-

Premier hat in aller Form peccavi gesagt und das genügt. Die grobe Antwort hat ihren Zweck völlig erreicht." *Grosse Politik,* XI, p. 15. Nov. 17, Marschall to William II, comment of the latter.

[1] *Ibid.,* X, pp. 251-55. Dec. 20, William II to Hohenlohe. In this case also Salisbury contented himself with a quiet denial of the Kaiser's charges (*ibid.,* X, pp. 257, 258. Dec. 23, Marschall to William II).

[2] *Ibid.,* XI, p. 223. Dec. 28, 1895, Marschall to Bülow: the refusal of England to help Italy had convinced Berlin of the necessity of some form of retaliation "um den Engländer fühlbar zu machen, dass es in der Politik wie überall im Leben eine Gegenseitigkeit auch für Ungefälligkeiten gibt."

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tinental powers against Britain.[1] The moment seemed auspicious for such a move. Salisbury's Armenian policy had encountered opposition in St. Petersburg as well as in Berlin. France had interests in Africa fully as important as those of Germany, and might be expected to cooperate in any move against England, as she had done in the Congo crisis of 1894. Anglo-American relations were still strained over the Venezuela boundary question. In the background were the thorny problems of Egypt, Afghanistan and the whole Far Eastern question.

The Jameson crisis in South Africa appeared to offer the desired opportunity to demonstrate the dangers of the "splendid isolation" of Britain. Opposition to England in this field would also go far, in the opinion of the Berlin diplomats, to placate the discontent of the Bismarckian press with the "Anglophile" foreign policy of the New Course, and to cement the cordiality which was growing up between Germany and Russia. The action of the Wilhelmstrasse proceeded, therefore, along two parallel paths. On the one hand, Marschall asserted the determination of Germany to prevent any disturbance of the *status quo* in South Africa. At the same time Holstein formulated and sought to put into operation a plan to unite the Continent against England.

On the first hint of trouble in the Boer states, Marschall acted with a vigor which astonished the German ambassador at London no less than the British Government. In two impassioned interviews with the English ambassador he denounced the London Government for its failure to control the Cape officials and bluntly declared that the inevitable result of British policy would be an alliance of the Continental powers to oppose further aggression.[2] At the same time, Hatzfeldt was in-

[1] *Ibid.*, X, pp. 125, 126. Dec. 20, 1895, Bülow to Foreign Office, telling of Italian discontent at the refusal of England to aid Italy in Abyssinia. Comment of William II: "Wenn das so weiter geht werden die Continentalmächte nächstens Schritte berathen müssen zur Wahrung ihrer gemeinsamen Interessen gegen England."

[2] *Ibid.*, XI, pp. 15-19. Dec. 28, Marschall to Hatzfeldt. Dec. 31, Mem. of Marschall. Both relate to interviews with Lascelles.

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structed to discover the attitude of the London Government towards the raid. "If you are of the opinion," wrote Marschall, "that this violation of international law is condoned, you will ask for your passports." [1]

The sting was taken from this outburst by Hatzfeldt,[2] but when the news of Jameson's entrance into the Transvaal reached Berlin, Marschall proceeded to more drastic action. On January 2, he informed the Kaiser that some official expression must be given to the attitude of Germany. "The English Government," he declared, "is already preparing to garner in at the expense of the Transvaal the fruits of Rhodes' long-prepared action." The Kaiser merely noted on Marschall's memorandum "*Einverstanden*"—agreed.[3] A note was dispatched to England on the same day. In it Marschall pointed out that in spite of the promises of the British Government the armed forces of the Chartered Company had not been prevented from invading the Boer states. Germany, he said, "protests against this act, and is unwilling to accept any alteration in the position of the South African republics as defined in existing treaties." [4] It was only by the merest chance that this note failed to precipitate the crisis which Marschall was courting. Lord Salisbury had earlier begged Hatzfeldt not to present any demands which would make an already difficult position untenable. Marschall's ultimatum, by both its contents and its tone, would almost inevitably have resulted in a breach of relations if it had been received. Fortunately, however, Salisbury had retired to Hatfield House. Hatzfeldt left the note, sealed, at the Foreign Office.[5] On the following day came the news of the failure of the raid, together with a telegram from Marschall rescinding the ultimatum, which Hatzfeldt recovered unopened.[6]

[1] *Grosse Politik*, XI, p. 19. Dec. 31, Marschall to Hatzfeldt.

[2] *Ibid.*, XI, pp. 23, 24. Jan. 1, 1896, Hatzfeldt to Foreign Office (three telegrams).

[3] *Ibid.*, XI, pp. 26, 27. Jan. 2, Marschall to William II.

[4] *Ibid.*, XI, p. 27. Jan. 2, Marschall to Hatzfeldt.

[5] *Ibid.*, XI, p. 29. Jan. 3, Hatzfeldt to Foreign Office.

[6] *Ibid.*, XI, pp. 28, 29. Jan. 2 (sent on third), Marschall to Hatzfeldt. Jan. 3, Hatzfeldt to Foreign Office.

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The crisis in Anglo-German relations which was so narrowly averted on January 2, was precipitated on the day following by the Kaiser's telegram to President Kruger. "I sincerely congratulate you", ran the famous message, "that, without making any appeal for the help of friendly powers, you have succeeded with your own people, by your own strength, in repulsing the armed bands which invaded your country as disturbers of the peace, in re-establishing order, and in defending the independence of your country against attacks from without."[1]

The attention which has been devoted to the origin of this telegram has obscured the fact that the Kaiser's message, no matter what the circumstances under which it was composed, is in harmony with the whole trend of German foreign policy in 1895. We now know that the telegram was sent only in order to dissuade William II from more extreme measures.[2] This does not, however, alter the fact that Marschall's ultimatum of January 2, had it been delivered, would have produced no less serious a crisis. The correspondence in the foreign office shows conclusively that the German Government was a unit in thinking that the time had arrived to give England "a lesson".[3] In a very real way, therefore, Marschall was correct in stating that the Kaiser's message was "an action of state" for which the Government assumed full responsibility.[4] The final blame, paradoxically enough, must rest on Hohenlohe, whose views, the Kaiser's assertions to the contrary notwithstanding, were undoubtedly far milder than those of either Marschall or William II. Under the German constitution he, and he alone, was responsible for the acts of the Government. His advanced age may explain, but it does not excuse, the feebleness with which the impetuous actions of his subordinates and of his sovereign were restrained. And back of the weak Chancellor lay a people which had not yet learned to use even the rudiments of

[1] *Ibid.*, XI, pp. 31, 32. Jan. 3, William II to President Kruger.

[2] This fact appears to be established beyond contradiction by the brilliant study of Professor Friedrich Thimme ("Die Krüger-Depesche", *Europäische Gespräche*, May-June, 1924, pp. 201-244).

[3] Statement of Marschall to Sir Valentine Chirol. *Times*, May 14, 1918.

[4] *Ibid.*

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popular government embodied in their constitution. It was a fact big with tragic portent for the future that the sending of the Kruger Telegram was the first act of William II to win the enthusiastic approval of German public opinion.[1] The message later came to be regarded as a mistake by Germans, not because they disapproved of the policy which had actuated its dispatch, but because that policy, in attempting to administer a diplomatic rebuke to England, did not produce the desired effect.

III

The wisdom or folly of the stand taken by the officials of the Wilhelmstrasse in the South African crisis depended upon their ability to carry out the implied threat of intervention. This, in turn, depended on the attitude of the other European powers. The German ministers had no illusions concerning their ability to cope single-handed with England. They expected, however, that the hatred felt by the members of the Dual Alliance for Britain would bring those powers to the aid of Germany. The studied friendliness shown during the fall of 1895 by the Czar and his ministers towards the Kaiser had encouraged this view.[2] William II and his advisers therefore imagined a cha-

[1] *Times*, Jan. 7, 1896. Berlin correspondence. "No act of the present reign has been acclaimed with such universal enthusiasm." On January 4, the Berlin correspondent characterized the Kaiser's telegram as "a relatively moderate expression of the general enthusiasm."

[2] Prince Chlodwig of Hohenlohe-Schillingsfuerst, *Memoirs* (London, 1906, 2 vols.), II, pp. 462-64, Sept. 11, 1895, journal notes of interview with Nicholas II. Helmuth von Moltke, *Errinerungen, Briefe, Dokumente, 1877-1910* (Stuttgart, 1922), pp. 198-203, letter to William II on interview with the Czar, *Grosse Politik*, IX, pp. 370-78. Oct. 13, Mem. of Eulenburg, interview with Lobanov. The latter gave assurances of friendship for Germany, while Eulenburg declared that in case of an Anglo-Russian war "wir keine Hand rühren würden, um England beizustehen." Oct. 14, Mem. of Marschall, interview with Lobanov, similar in tone. Oct. 17, 1895, Radolin to Hohenlohe, quoting article in semi-official Russian press advocating closer relations between Russia and Germany. *Ibid.*, X, pp. 155, 156, 239, 240. Nov. 5, Hohenlohe to Eulenburg, stating identity of interests of Russia and Germany, and desire of latter for friendly relations. Dec. 21, Eulenburg to Hohenlohe, marginal comment of William II expresses approval of newspaper editorial on increasing possibility of a Russo-German alliance. The increasing friendliness

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grined and chastened England retreating before the righteous wrath of the united Continent. In the event, the rôles were reversed. Germany, deserted even by her partners in the Triple Alliance, was forced to make what terms she could with an outraged Britain.

While Marschall was hurling his verbal thunderbolts, Holstein was devising the means by which German threats might be made effective. On December 30, 1895, before the exact nature of the unrest in South Africa was known in Berlin, he outlined his plan of action in a memorandum which shows clearly the importance of the "decadent England" thesis in German political thought. "Italy", he argued, "is scoffed at by England only because the latter power feels that she can always be sure of Italian loyalty. . . . What would be the situation, however, if Germany, after her experiences regarding the Transvaal, the Volta boundary etc., should move with Italy to the side of France and Russia . . . *temporarily* and for the achievement of *concrete aims?*" He then discussed the problems which might be taken up. France might get the Congo; Russia, Korea; a few territorial sops might fall to Austria and Italy; a coaling-station with commercial concessions in China to Germany, together, possibly, with assistance in maintaining the *status quo* in South Africa. "So long as England retains India," he concluded, "it is necessary for her, unless she is to retreat without fighting, to effect a *rapprochement* with the Triple Alliance. She will only appreciate this necessity if she has learned—as the present project is designed to demonstrate—that the Triple Alliance *will not under all circumstances render support to her.*" [1]

This Machiavellian design was embodied in a series of dispatches to the representatives of Germany in Paris, Rome and

between the two countries occasioned some alarm in England, *cf. Times,* October 7, 16, 31; November 17, 26, 1895; Jan. 1, 1896. In the last cited issue, a review of German foreign policy during 1895 attributed the breakdown of the European concert in the Near East to the revival of German influence over Russia.

[1] *Ibid.,* XI, pp. 67-69. The Volta dispute concerned the boundary between Togo and the Gold Coast.

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Vienna. Count Münster was instructed to inform the French Government that, although the *revanche* idea prevented a Franco-German alliance, the two powers might profitably co-operate in the solution of concrete problems. He was, however, to avoid giving the impression that a general alliance on the Transvaal problem was sought.[1] In all the dispatches, the ambassadors were told that the real purpose of Germany was to awaken England to the necessity of joining the Triple Alliance.[2]

It is evident that Holstein had no thought of creating a permanent Continental *bloc* against England. He merely wished to administer a painful but salutary and comparatively harmless lesson to the British. "We could hope for nothing better," he wrote Bülow, "than that, in his first shock of horror at our immoral idea, Crispi [the Italian prime minister] should warn England of the danger of a radical change in German policy."[3] By ruling out Egypt from the field in which the Triple and Dual Alliances might cooperate, he had deliberately destroyed all possibility that France would enter enthusiastically into his plan. Even the thought that the Dual Alliance might hold back altogether did not terrify him; the action of Germany would at least have shown that the Triple Alliance was not incapable of an independent policy. Neither did he fear a *rapprochement* of England with Russia or France. "The latter powers are at present inseparable," he maintained, "and would together cost too much."[4]

[1] It is difficult to see how this impression was to be avoided. Münster himself appears to have felt that the Boer situation was the occasion for the "feeler". *Cf.* Eckardstein (*op. cit.*, I, pp. 276, 277): "Fürst Münster wurde instruiert, in Paris zu sondieren, ob Frankreich eventuell bereit sein würde, Deutschland in einem veilleicht bevorstehenden Kriege mit England zu unterstützen." *Cf.* also the *Kaiser's Letters to the Czar* (p. 28, letter of January 2, 1896): "I . . . have opened communications with Paris for common defense of our endangered interests." In the conversation between Marschall and Herbette on January 1 (Pagès, *op. cit.*, pp. 256-58, Jan. 1, Herbette to Bertholet) the Continental alliance proposal was apparently linked with the situation in the Transvaal.

[2] *Grosse Politik*, XI, p. 73. Jan. 3, Holstein to Bülow.

[3] *Ibid.*, XI, p. 74, Jan. 3, Marschall to Bülow (drafted by Holstein).

[4] *Ibid.*

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The Kruger Telegram illumined with the suddenness and brilliancy of a flash of lightning the unreal world of the "witches' chamber"—to use Münster's derisive expression—in the Wilhelmstrasse. England, instead of bowing before the wrath of Germany, challenged the right of any power to interfere in what she felt to be a domestic affair. A flying squadron immediately hastened to South Africa; expressions of loyalty poured in from the colonies. English public opinion, embittered by the memory of real and fancied insults and by an apparently losing battle against German industry, gave vent to a passionate anger which threatened to break all bounds of restraint. As Hatzfeldt later reminded Berlin, only the imperturbable calm of Salisbury averted serious consequences.[1]

The German government was totally unprepared for such a situation. Holstein complained bitterly of Anglo-Saxon lack of logic: President Cleveland's bombastic message was a much more serious insult than the Kruger Telegram, yet England had given way almost entirely in the Venezuela dispute.[2] Marschall refused to recognize the justice of British resentment. He insisted that the convention of 1884 gave, save for "the unimportant limitation of article 4" complete independence to the Boers.[3] Convinced of the righteousness of their cause, the Germans continued for a time to present a resolute front. William II even hoped to secure Lorenzo Marques as a reward for his unselfish efforts on behalf of the rights of small states.[4] Marschall proposed that Kruger demand the calling of a conference to determine the status of the Boer Republics, and promised the enthusiastic support of Germany for the plan.[5]

[1] *Grosse Politik*, XI, 53-56. Jan. 21, 1896, Hatzfeldt to Holstein. "Die allgemeine Stimmung war, daran kann ich nicht zweifeln, eine solche, dass die Regierung wenn sie ebenfalls den Kopf verloren oder aus irgendeinem Grund den Krieg gewünscht hätte, dabei die ganze öffentliche Meinung hinter sich gehabt hätte." The violence of English indignation is attested by the reports current at the time that Salisbury's indignation had been appeased only by an abject apology from the Kaiser. *Cf.* Pagès, *op. cit.*, pp. 256-59.

[2] *Ibid.*, XI, pp. 56-59. Feb. 20, Mem. of Holstein.

[3] *Ibid.*, XI, pp. 39, 40. Jan. 6, Marschall to Hatzfeldt.

[4] *Ibid.*, XI, pp. 36, 37. Jan. 6, Mem. of the Kaiser.

[5] *Ibid.*, XI, p. 31. Jan. 3, Marschall to Herbst.

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The extravagance of these proposals became evident as the other powers revealed their attitude towards Holstein's project for a Continental alliance. By the end of the first week of January, 1896, Germany occupied an isolated position which could by no stretch of the imagination be called "splendid". France refused to interest herself in an *entente* which promised no aid in Egypt. The Czar was profuse in expressions of sympathy and encouragement, but his advisers said quite frankly that England had the better of the argument.[1] With the date for the renewal of the Triple Alliance drawing near, Austria was suspicious of German flirtation with Russia, and Italy was sullen and discontented at the failure of her allies to stave off the débâcle in Abyssinia.[2]

Hohenlohe early perceived the danger of the situation, and ordered a precipitate retreat. On January 7, he warned William II against any aggressive action, and especially discouraged the hope that Portuguese territory might be occupied by Germany. The Kaiser gave way reluctantly. "I think otherwise, but will keep still," he wrote.[3] On the refusal of Salisbury to consent to the calling of a conference such as Marschall had suggested, the project was dropped.[4] In the correspondence of the Wilhelmstrasse with the Boer agents assurances of support gave way to counsels of moderation.[5] Marschall's speech before the Reichstag in defense of the government's South African policy was innocuous and pacific, omitting all reference to the Kruger Telegram and affirming that throughout the crisis German relations with England had been "good, normal and friendly."[6]

[1] *Grosse Politik,* XI, pp. 42-44. Jan. 6, Radolin to Foreign Office (delivery of Kaiser's letter to Czar). Jan. 8, Radolin to Hohenlohe.

[2] Pribram, *op. cit.,* II, pp. 105-10. *Grosse Politik,* XI, pp. 75, 77-80. Jan. 8, Eulenburg to Holstein. Jan. 15, Bülow to Hohenlohe.

[3] *Ibid.,* XI, pp. 37-39. Jan. 7, Hohenlohe to William II. Closing comment of William: "Der Verlust oder nicht Erwerb von Delagoa wird sich dereinst schwer rächen und uns einst sehr bedauert werden."

[4] *Ibid.,* XI, pp. 40, 41. Jan. 7, Hatzfeldt to Holstein.

[5] *Ibid.,* XI, pp. 51, 52. Mem. of Marschall, conversation with Leyds.

[6] Feb. 13, 1896. *Stenographische Berichte über die Verhandlungen des deutschen Reichstages,* 1895-97, II, pp. 929-32.

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Holstein's grandiose scheme for a Continental *entente* was quietly abandoned. By the end of the first week in January he tacitly admitted defeat. In an interview with Valentine Chirol, the *Times* correspondent, he lamented that the Jameson crisis had not sufficed to awaken England to the necessity of an alliance with the Central Powers. He refused, however, to be discouraged. "New lessons, and, eventually, new rulers," he prophesied, "will gradually pave the way to this realization."[1] These words indicate that Holstein was already coming to regard Salisbury as the "malicious mother-in-law" who sought to prevent the nuptials of England and the Triple Alliance.[2] In the years following, this conviction formed one of the most formidable obstacles to an Anglo-German *rapprochement*.

For the moment, however, the rebuff which German diplomacy had received resulted in improved official relations with England. If, as later events were to show, the old belief in the weakness of the British Empire and in the impossibility of any lasting accord between England and the Dual Alliance remained unshaken, the events of January, 1896, had at least shown the danger of the bludgeoning policy by which the Wilhelmstrasse had sought to force home these ideas. For some weeks after the dispatch of the Kruger Telegram the Berlin officials watched anxiously for some opportunity to end the isolation of Germany. Their uneasiness was heightened by rumors that Salisbury was seeking to effect a settlement of the Egyptian question with France.[3] Hohenlohe hinted at the revival of the *Dreikaiserbund* as an escape from the dilemma, but Austria refused even to discuss this idea.[4] The diplomatic situation remained in a state of unstable equilibrium for over a fortnight, long enough to convince even William II of the desirability of regaining the good will of England. Then the strain was suddenly relieved by the collapse of the Anglo-French negotiations.

[1] *Grosse Politik*, XI, pp. 41, 42. Jan. 8, Holstein to Hatzfeldt.

[2] Eckardstein, *op. cit.*, II, p. 311. March, 1901, Holstein to Eckardstein: "Salisbury spielt die Rolle der bösen Schwiegermutter, die bemüht ist, die Verlobung zu hintertreiben."

[3] *Grosse Politik*, XI, pp. 56-59, 135-137. Feb. 18, Marschall to Hatzfeldt. Feb. 20, Mem. of Holstein. Feb. 21, Holstein to Hatzfeldt.

[4] *Ibid.*, XI, pp. 140-42, 115. Feb. 24, Hohenlohe to Radolin. March 1, Eulenberg to Hohenlohe.

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At the first indication that Salisbury was resuming his former friendly attitude, the German Government hastened to take advantage of the opportunity to atone for its past mistakes. Salisbury had been endeavoring to secure the consent of France to an expedition against the dervishes in the Sudan. William II now paid a personal visit to the English ambassador to promise German aid for such an expedition, provided Dongola were made its first objective. An advance on that city, he said, would compel the dervishes to abandon their campaign against the Italian colonies on the coast. By this move, therefore, the British could not only extend their power in Egypt, but could extricate their old Mediterranean ally from a dangerous position.[1] After a few days of hesitation, Salisbury accepted the Kaiser's proposals, to the immense relief of the German Government.[2]

During the remainder of 1896 the remembrance of the tense weeks of January was sufficient to cause the German Government to court the friendship of England almost obsequiously. The violent protests of Russia against the Dongola expedition went unheeded; the chimerical nature of Russian friendship had been demonstrated to the satisfaction of Hohenlohe, if not to that of his imperial master. Even the persistently anti-German tone of the English press was suffered to pass unnoticed. In October William II, restless under the jibes leveled at him by British humorists, revived the idea of an *entente* with Russia and France. The continued hostility of England, he wrote to Hohenlohe, indicated that the British were seeking to force a war in order to capture the trade and colonies of Germany. "It is, therefore, the part of wisdom and foresight," he concluded, "for us to seek friends, if not allies, wherever possible. We must at the earliest opportunity enter into negotiations with France and Russia with a view to mutual

[1] *Grosse Politik*, XI, pp. 236, 237. March 4, Mem. of Marschall. Pagès, *op. cit.*, pp. 258, 259. March 5, Herbette to Berthelot.

[2] *Grosse Politik*, XI, p. 241. March 12, Hatzfield to Foreign Office. Hansard (4th Series), XXXIII, cols. 1027-29, Curzon's official statement of the reasons for the expedition. Interesting sidelights on the attitude of a section of British public opinion on the expedition may be found in Wilfred Blunt's *My Diaries* (2 vols., London, 1918), I, pp. 271-85.

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guarantees of colonial possessions."[1] This suggestion was firmly vetoed by the foreign office, where the cool reception accorded earlier in the year to Holstein's alliance proposals was still remembered. William II gave way without protest.[2]

The German Government emerged therefore in a much chastened mood from the first attempt to assert its claim to hegemony in Europe. England had shown herself no less impervious to threats than to friendly argument. The Dual Alliance had proved unexpectedly reluctant to serve as a cat's-paw in forcing Britain into a union with the Central Powers. Unfortunately, the moral drawn by the Wilhelmstrasse from these events was not the falsity of the basic assumptions of German diplomacy, but rather, the necessity for delay until the precarious position of the British Empire should become as apparent to London as it already was to Berlin. The attempt to conciliate England begun by William II in connection with the Dongola expedition was continued for some time. As soon as these efforts began to bear fruit, however, and England showed a desire to effect an alliance with Germany, the ideas of 1895–96 reappeared. Secure in the conviction that the interests of Britain and the Dual Alliance were irreconcilable, the officials of the Wilhelmstrasse turned aside the advances of England and put an increasingly high price on German friendship. The danger of this course was apparent to the more clear-sighted German diplomats, but the complacent self-confidence of the myopic officials of the Wilhelmstrasse remained unshaken until after the formation of the Entente Cordiale.[3]

RAYMOND J. SONTAG

PRINCETON UNIVERSITY

[1] *Grosse Politik*, XIII, pp. 3, 4. Oct. 25, 1896, William II to Hohenlohe.

[2] *Ibid.*, XIII, p. 5. Oct. 1896, Mem. of Marschall, and f. n.

[3] At the close of the century, and on the eve of the last British alliance proposal, Count Metternich, later the successor of Hatzfeldt in London, indicated clearly the blundering course into which German diplomats were led by their devotion to questionable theses: "es würden während der letzten Jahrzehnte manche Verstimmungen vermieden worden sein, wenn man sich häufiger die Frage vorgelegt hätte: 'Würdest du mit Russland ebenso verfahren, wie du jetzt mit England verfahren willst?'" (*Ibid.*, XVII, pp. 8-14. June 24, 1900, Metternich to Bülow).

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ARE WE REDEEMING OUR NATIONAL DEBT TOO HASTILY? *

The Burden of Debt Service

THE country has been deeply stirred by the recent announcements of the Treasury Department setting forth the extent to which the national debt has been reduced during the past four years. The reception accorded these reports has not, however, been one of unanimous praise for the official responsible for this showing. Long before the latest figures with the details of the surplus available for further debt reduction resulting from the operations of the fiscal year 1924 were made public, possibly in anticipation thereof, Secretary Mellon had been criticised severely by a number of senators for paying off the nation's debt "too hastily", and thus imposing too great a burden on the present generation of taxpayers. At a hearing of the Senate Finance Committee held on March 13, 1924, it was suggested that the interest on the bonds redeemed ought not to be added to the sinking-fund installment, but Secretary Mellon pointed out that this was a requirement of the Liberty Bond Acts, and that he had no discretion in the matter. He nevertheless opposed a change.

The criticism might be better understood if it were realized what huge sums are being devoted to the debt service, and how large a proportion of the total budget they represent. The figures are given in the following table:

* This discussion makes no pretense of presenting facts that may be found in official reports or elsewhere. It is intended rather as an analysis and interpretation of those facts. It is based on data gathered from official sources, particularly, except as otherwise noted, the annual reports of the Treasury Department. A copy of this discussion, practically in its present form, was furnished to the Treasury Department last fall, without calling forth any comment to indicate that material errors had been made. There is every reason to believe that the facts as presented are substantially correct.

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DEBT SERVICE CHARGES AGAINST ORDINARY REVENUES[1]

Fiscal Year Ending June 30	Interest on Public Debt	Redemption from Ordinary Revenues	Total Chargeable Against Ordinary Revenues	Total Ordinary Expenditures Chargeable Against Ordinary Revenues	Percentage Debt Service Bears to Total
1921	$996,676,804	$422,561,850	$1,419,238,654	$4,891,275,319	29.0
1922	989,485,410	422,352,950	1,411,838,360	3,618,037,797	39.0
1923	1,055,088,486	402,957,691	1,458,046,177	3,647,647,849	40.0
1924	938,740,772	457,894,100	1,396,634,872	3,404,295,067	41.0
1925[2].....	865,000,000	471,806,401	1,336,806,401	3,534,083,808	37.8
1926[2].....	830,000,000	484,766,130	1,314,766,130	3,267,551,378	40.2

It will be seen that even without the inclusion of the surpluses applied to debt redemption, interest and amortization charges absorb almost forty per cent of the ordinary revenues. Despite further reduction in interest charges and the increased expenditures due to the adoption of the bonus, the estimates indicate a practically similar situation for the current as well as the coming fiscal years. The presence of surpluses which tended further to reduce the net debt resulted in increasing the proportion of the total expenditures devoted to debt charges to forty-five per cent in 1922, 46.4 per cent in 1923, and 48.8 per cent in 1924. The surplus of one hundred million dollars in sight for the current year will mean an increase to approximately forty per cent. Adjustments in the expenditure accounts placing them on an accrual basis would probably mean a further slight increase in these percentages.

Large as they are, they were exceeded not only at the beginning of our history as an independent nation, when the funding of the Revolutionary debt resulted in the absorption of all but twenty per cent of the revenues,[3] but were equaled or exceeded

[1] The figures of actual expenditures are on a warrant basis and are taken from Table K, page 394 of the *Annual Report of the Secretary of the Treasury* for the fiscal year ended June 30, 1924.

[2] From estimates of expenditures given on pp. 124-5 of the same report.

[3] Harvey E. Fisk, in *Our Public Debt*, p. 6, states that less than $600,000 of the first budget, amounting to $2,839,000, "was for current expenses, the rest being provided for use in connection with the debt."

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for a period of almost two decades following the Civil War. Following are given the figures for the first ten years:

STATEMENT SHOWING PROPORTION OF TOTAL EXPENDITURES OF UNITED STATES DEVOTED TO DEBT SERVICE. 1866-1875 *

Fiscal Year	Ordinary Expenditures Including Interest	Decrease in Net Debt	Total	Total of Interest Paid Plus Decrease in Net Debt	Proportion Devoted to Debt Service
1866	$519,022,356	$120,395,409	$640,417,765	$253,463,034	39.6%
1867	346,729,325	127,884,952	474,614,277	271,666,544	57.2
1868	370,339,134	27,297,798	397,636,932	167,721,844	42.2
1869	321,190,598	48,081,540	369,272,138	178,775,783	48.4
1870	293,757,005	101,601,917	395,258,922	230,837,415	58.4
1871	283,160,393	84,175,888	367,236,281	209,752,454	57.1
1872	270,559,696	97,213,538	367,773,234	214,571,378	58.3
1873	285,239,325	44,318,470	329,557,795	149,069,158	45.2
1874	301,238,800	1,312,907	302,551,707	108,432,722	35.8
1875	274,623,393	14,107,984	288,731,377	117,201,529	40.6

Only three times within the next ten years did the debt service take less than forty-five per cent of the total expenditures. After 1885 the proportion fell slowly to 31.7 per cent in 1891. There was a further sharp decrease within the next two years.

Although the total expenditures for interest and reduction of the debt are from five to ten times as great as they were during the above period, that is no indication of the relative ability to endure the burdens imposed for the purpose. The per capita expenditures are only less than three times as large. In the meantime, however, our national income has increased to such an extent, both absolutely and on a per capita basis, that the proportion thereof devoted to the debt service is no greater to-day, being, as shown in the following table, at both periods approximately three per cent.

Indeed, if the necessary adjustments be made from the present requirements for interest and redemption of the gross debt for that portion for which provision is made or is supposed to come from other sources, such as the European governments indebted to us, or the railroads, the proportion of the national

* All figures taken from the *Statistical Abstract of the United States*.

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INCOME AND DEBT SERVICE PER CAPITA AFTER THE CIVIL WAR AND AFTER THE WORLD WAR

Year	Per Capita Income *	Per Capita Debt Service	Ratio
1870	$174.00	$5.99	3.44%
1880	147.00	3.44	2.34
1890	192.00	6.08	3.17
1921	463.68	13.11	2.83
1922	535.48	16.54	3.09
1923	605.44	17.13	2.83
1924	610.00	17.10	2.80

income devoted to the debt service would be only half as large as it was after the Civil War. Even if this were not true, however, the tremendous increase in the real income with which we have been blessed makes a similar percentile burden of comparatively lesser importance, bearing much more lightly on our shoulders. For real income has, at the very least, tripled in the meantime.

COMPARISON OF INCOME, PRICES AND PURCHASING POWER DURING AND AFTER THE CIVIL WAR AND THE WORLD WAR †

Year	Total Income (in millions)	Income Per Capita	Price Index	Purchasing Power
1860	$3,636	$116	141.3	$82
1870	6,720	174	221.6	79
1880	7,391	147	132.4	111
1914	33,200	335	153.1	219
1921	50,000	463.68	229.6	202
1922	58,500	535.48	232.7	230
1923	67,000	605.44	240.5	252
1924	68,500	610.00	234.3	260

* The estimates for the period following the Civil War are those of W. I. King, *Wealth and Income of the People of the United States*, p. 129. For the later period the estimates are taken from the National Industrial Conference Board's *Tax Burdens and Public Expenditures*, p. 12, except that the estimate for 1924 is conservatively made by the author at a rounded figure but little above that of 1923. An increase is assumed because the income-tax receipts reported during March show little decrease despite the greatly decreased rate and the other exemptions.

† The data for this table are drawn from the same sources as in the above

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Year	Index Used Above	Dun's Index July 1
1860 (1859)	100.0	(1860) 100.0
1870 (1869)	156.8	142.9
1880 (1879)	93.7	84.5
1890 (1889)	89.5	77.9
1914	108.4	103.9
1921	162.5	138.8
1922	164.7	150.8
1923	170.2	163.8
1924	165.8	161.0

table, the income estimates for 1914 being those of the National Bureau of Economic Research. The index of prices whereby purchasing power is measured by King is the old index of the Bureau of Labor Statistics, using Falkner's quotations and based on the average of the decade 1890-1899. As that index number was discarded about 1912, and the new one does not go back any farther than 1890, the problem of finding a common denominator to measure the value of the per capita money incomes given was met by computing the coefficient which expressed the relationship between the old and new indices for 1890, and applying that coefficient to the index numbers for 1914 and subsequently. While this is unsatisfactory and the results cannot be considered exact, they are sufficiently so for our purpose, which is to indicate the approximate increases in real incomes during the intervening period.

The alternative was to use Dun's index, which is available since 1860. The results would have been about the same, as can be seen by comparing it with the index given in the above table. It should be noted that the price index used by King and reproduced above was in each case for the year preceding the census. Accordingly the same practice is followed in the use of Dun's index in the following comparison, except that the figure for 1859 was not available. Apparently, however, the difference between 1859 and 1860 was negligible.

Another possibility is the use of Bradstreet's index for the current period, on 1913 as a base, compared with that compiled by Wesley C. Mitchell, on 1860 as a base. Because of their close resemblance, they were used for a comparison of price movements after the two wars in chart form, presented with an article published in the *Index* of the National Park Bank for November, 1920. The difficulty is that there is no common base by which the two indices can be tied together. If we recognize, however, that commodity prices were at approximately the same level just prior to the opening of hostilities, or about five per cent higher before the beginning of the recent war, we would get a somewhat similar result as above.

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The Effect of a Longer Redemption Period

If the period of redemption were stretched out for another twenty years beyond that contemplated in the present provisions of the law, so as to provide for maturity of the debt by about 1965 instead of 1945, the needs of the sinking fund would be reduced by approximately $200,000,000 annually. This estimate is based on the amortization of the total debt except that represented by securities held in the treasury as offsets. Should we be compelled to provide for the debts of the European governments which have not yet been funded, the difference between the annual requirements for amortization within the same periods would be increased to $300,000,000.

It is not surprising, therefore, that in connection with the efforts to create a large surplus that might be available for further tax reduction or for other purposes, the treasury's redemption policy should be attacked as too hasty. The politician has always taken an optimistic attitude toward public borrowing. Expedients that reduce the immediate levy on the taxpayer are so certain of popularity that the temptation is overwhelming. Accordingly the politician has ever been more ready to vote debts than provisions for repayment, and usually he has been supported by his constituents. There are no representatives of future generations to protest against the burdens imposed on them as the ultimate consequence of postponement, and to threaten vengeance at the polls.

In this instance the policy attacked is so fundamentally sound, in addition to its being entirely in keeping with the time-honored practice of this country, that it is highly important to give the subject most earnest consideration and realize the necessity for continuing along the same road until the debt is entirely redeemed.

The Perpetual Debts of Europe

At the outbreak of the late war practically every European power was shouldering a huge perpetual debt in addition to that bearing a promise of redemption at definite dates of maturity. All of Germany's funded debt, which means almost all that bore interest, was in permanent form. France had

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outstanding approximately four and one-quarter billion dollars in perpetual *rentes*. This was two-thirds of the interest-bearing debt, exclusive of that incurred for the acquisition of railroads operated by the government. In Italy there were nearly two billions, a similar proportion; and in Russia the amount was but little less, one and three-quarter billion dollars. Even half of the British debt was in perpetual form, the amount outstanding in consols and annuities as well as the perpetual debts owing to the banks of England and Ireland reaching a total only slightly below that of Russia. Of this, by far the greater part can be traced back to 1750 and even earlier.

The annual interest requirements were burdensome. They represented substantial proportions of the total budgets, ranging from 11.6 per cent in the case of Great Britain to almost one-fifth of the Italian budget, and more than one-fourth of

COMPARISON OF PRE-WAR NATIONAL DEBTS*

	Per Capita Total Debt Outstanding for State Purposes	Amount of Perpetual Debt Outstanding in Millions	Per Capita Perpetual Debt	Percentage of Interest-Bearing Debt Perpetual in Form	Proportion of Total Budget Applied to Debt Service
United States	$11	†	.....	.....	2.3
Germany	19	$1,237	$18.5	95.5	6.6
Great Britain	75	1,675	36.4	54.1	11.6
Russia	17	1,708	9.6	59.5	12.6
Italy.....	85	1,940	53.9	67.7	19.7
France.....	165	4,231	105.8	67.2	18.0
Belgium.....	112	‡	.....	.....	27.0

*The data for this table were taken, for the most part, from *The Statesman's Year Book*, although in part also from Fred I. Kent, *The Inter-Ally Debts*, published by the Bankers Trust Company. Foreign currencies were figured at par of exchange. Comparison with similar tables in Kent or elsewhere will reveal some differences, due to adjustments that seemed necessary to this writer in order that the figures might be truly comparative—at least to the extent that the resources available permitted.

† Neither the 4 per cent Consols issued in 1895 nor the 2 per cent of 1900, issued to refund the outstanding Civil War debt, can be considered perpetual, although there was no definite obligation on the part of the government to retire them when they became redeemable, thirty years after issue.

‡ No information.

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the Belgian. The German debt service was only 6.6 per cent of the total. It is probable, however, that this does not tell the whole story, because of the relationship of the federal government to the German states whereby the latter often shared burdens which in other countries are borne exclusively by the nation.

The Philosophy of Non-Redemption

The existence of national debts largely in the form of perpetual interest-bearing securities can be traced to the easy optimism of the early eighteenth-century economic thinking, which professed to find so much good in public debts as to question the advisability of ever redeeming them. It is highly probable that such a philosophy was gradually evolved as an excuse for practices arising from necessity. All efforts made to redeem existing indebtedness, even if they had been wise and successful—and they often proved to be neither—were nullified by the exigencies of a succession of wars which rapidly led to the creation of new debts exceeding the old.

Under such circumstances it is not surprising to find in defense of the debts of a state an argument such as that of Melon's (1734), that they were "debts owed by the right hand to the left, by which the body will be in no way weakened if it has the necessary nourishment and is able to distribute it." Others, however, went much further. Bishop Berkeley, the philosopher, considered the British national debt "a mine of gold". The attitude was perhaps best expressed by Isaac Pinto, a Dutch merchant of Portuguese descent, who insisted (1771) that the British debt had enriched that nation by creating new artificial capital that had not existed before. To the extent that the money borrowed by England had been spent within that country, it had made profits on the contracts given out. To the extent that it had been spent in other countries, Germany, for example, it had made for the fertilization of a country from which England profited by commerce. Though admitting that too great a debt might be embarrassing, he felt that within limits it represented an addition to the wealth of the country and should not be extinguished. So certain was he of

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having demonstrated the utility and necessity for the existence of national debts that, he insisted, England should never be without one—indeed, it would be harmful for that kingdom not to preserve at least some of "its artificial riches", the amount of which he put at sixty million pounds sterling.

It must not be thought that no divergent opinions were expressed. Hume, in the middle of the eighteenth century, protested against the abuses arising from public borrowing. Adam Smith, likewise, and later Say, the French economist, argued that public debts were universally harmful. John Stuart Mill urged the necessity of redeeming the public debt, and Ricardo went so far as to suggest redemption at once by a general contribution which can only be considered the equivalent of a capital levy.

On the whole, however, it has been seen that the optimistic view prevailed. Certainly this is indicated by the practice general throughout Europe, from which possibly Holland alone may be excepted. That it fitted especially with the easy temperament of the Latin peoples is visible from the comparatively huge sums due by them in perpetual interest-bearing securities.[1]

REDEMPTION THE TRADITIONAL AMERICAN POLICY

American practice and, with a single exception, American policy, has been to the exact contrary. That exception was a product of the Civil War when Jay Cooke, charged with the duty of marketing the government's bonds to finance this war, circulated Wilkeson's pamphlet, *How Our National Debt may be a National Blessing*. This pamphlet repeated all the arguments of more than a century before as to the value of permanent national debts, representing them as so much capital added to the national wealth. It pointed to the British debt as "the source of that prodigious development of mechanical industry and accumulation of wealth, which so suddenly bore upward the English after the battle of Waterloo to the command of the

[1] This section and part of the next are based on extracts from the writers quoted in Bullock, *Selected Readings in Public Finance*, third ed., chaps. xxii-xxiv.

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trade and finances of the world." It alleged that our debt would in the same way prove "the foundation of a system of diversified national industry which shall lead us from dependence upon Europe" in addition to which it would be the "bond of our union". Besides, the creditor had no expectation and less desire that the debt be paid *in toto;* and anyway the burden of a debt should not be measured by the total amount due but rather by the annual sum required for interest—that being the practical consideration.

To some extent even Alexander Hamilton, our first Secretary of the Treasury, took the point of view that the debt performed a useful function as capital in the hands of new masters. He did not, however, believe that the national debt represented an absolute increase of capital, but like bank credit, rather an artificial increase, or as an instrument of industry and commerce. As such it had a tendency to increase real wealth just as money borrowed by a farmer for improvements on his farm may in the end lead to a real addition to his riches. Yet he stated definitely his disbelief that "public debts are public benefits". Accordingly he insisted upon incorporating as a fundamental maxim in the system of public credit in the United States the principle that the creation of debt must be accompanied by a means for its extinction.

That, as we know, was the course Hamilton pursued in the funding of the Revolutionary debt. The policy he laid down was followed by Gallatin, his successor. Rapid debt redemption became the traditional American philosophy which has since been followed in practice by every successive head of the treasury. The temporary official departure from this point of view during the Civil War may be dismissed as the expedient of a financier faced with the problem of securing funds for a cause not entirely popular, on rather difficult terms. There has never really been any similar departure in practice except under the direst stress.

Furthermore, every possible effort was made to keep from incurring debt. There were hence comparatively few periods when borrowing was resorted to. For the most part it was occasioned by wars and by territorial growth, such as the pur-

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chase of Louisiana and of Florida, and the settlement of accounts with the republic of Texas. Even for such purposes other expedients were often devised. For example, the expenses of the war against the Barbary pirates were entirely defrayed from the "Mediterranean Fund", raised by a special tax on imports. One-quarter of the total price paid for the Louisiana territory consisted of the claims of American citizens taken up by the government, amounting to $3,375,000, which were paid in cash from the treasury. The Spanish War resulted in the addition of comparatively little to the debt because of the large sums accruing to the treasury from the internal revenue duties levied.[1] Of the expenditures for the construction of the Panama Canal, which may be placed at $450,000,000, only thirty per cent was met by the issue of bonds.

The result was that at the outbreak of the war the United States had a total gross debt of less than one and one-quarter billion dollars. Because of the balance credited to the general fund, the net debt was but slightly more than a billion. It was somewhat higher when we entered the war.

For all practical purposes, the only debts of any consequence were the Panama Canal Loan and the Loan of 1908–1918, dating from the Spanish War, together a total of 16.7 per cent of the gross debt. Omitting the Postal Savings Bonds, the rest, although largely traceable to the refunding of the Civil War debt, was due to the effort made to put the currency on a sound basis. With the exception of the $50,000,000 Panama Canal loan of 1911 and the Postal Savings Bonds, all of the interest-bearing debt outstanding in 1914 bore the circulation privilege. The only change since then was the addition of a small amount of three per cent Conversion Bonds, resulting from the inauguration of the Federal Reserve System. Almost one-fifth of the debt was in the form of treasury notes and other currency, or bank notes in the process of redemption, and hence bore no interest.

The interest paid was at a very low rate. This was particu-

[1] Fisk, *op. cit.*, Part I, chaps. ii-ix.

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PRE-WAR DEBT OF THE UNITED STATES

Interest-bearing debt	June 30, 1914		Mar. 31, 1917	
Consols of 1930 .....2%	$646,250,150		$606,288,850	
Loan of 1908–1918 3	63,945,460		63,945,460	
Loan of 1925 4	118,489,900		118,489,900	
Panama Canal Loans 1906 and 1908 2	84,631,980		75,996,080	
Panama Canal Loans Series 1911 3	50,000,000		50,000,000	
Conversion Bonds 1946–7 3	.....		25,057,200	
One Year Treasury Notes 3	.....		23,540,000	
Postal Savings Bonds...2½	4,635,820		10,039,760	
Certificates of Indebtedness	.....		50,000,000	
Total		$967,953,310		$1,023,357,250
Matured debt on which interest ceased		1,552,560		1,459,630
Debt bearing no interest				
United States notes.....	$346,681,016		$346,681,016	
Less: gold reserve.....	150,000,000		152,979,026	
Net	$196,681,016		$193,701,990	
Old demand notes	53,153		53,153	
National bank and Federal Reserve bank notes assumed by the U. S.....	15,142,888		56,624,927	
Fractional currency	6,852,473		6,847,396	
Total.....		218,729,530		257,227,466
Total gross debt outstanding.....		$1,188,235,400		$1,282,044,346
Net General Fund balances.		160,978,390		74,216,460
Total net indebtedness.		$1,027,257,010		$1,207,827,886

larly true of the bonds bearing the circulation privilege, most of which are owned by banks and all but six or seven per cent of which were on deposit with the treasury of the United States on November 1, 1924, to secure issues of bank notes.[1] The highest rate paid was four per cent on the loan of 1925, which was called for redemption when due. Even these were issued at such high premiums as to reduce the effective interest rate to 3⅜ and 3¾ per cent. The annual interest charge was very small as compared with the charges on European countries, being only 2.3 per cent of the total budget. With their retirement less than two per cent of bonds bearing the circulation privilege will not be pledged with the treasury.

[1] *Annual Report of the Secretary of the Treasury*, 1924, p. 33.

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Certainly there is very little evidence in this recital of our historic fiscal policy to indicate a belief that public debts are "public benefits" or "mines of gold". There is rather an indication of a dread of debt as a burden on the country and the body politic, a burden that is but insufficiently measured by the annual interest cost and is none the less felt by being well distributed—a burden, moreover, to be gotten rid of only by redemption. That, prior to the war, the statutes provided for an annual appropriation of only one per cent of the debt for redemption would seem to belie this. It must nevertheless be remembered that the currency system militated against the repayment of the greater part.

GROWTH OF DEBT DURING THE WAR

Owing to slight changes in the form of various statements included in the annual report of the treasury, and because of adjustments and revisions which are not available except for complete fiscal years, it is impossible to secure exact statistics of the government's income and expenditures during the war period that will permit of reconciliation with the growth of the net debt. The actual change can be seen in the following statement:

COMPARISON OF THE PRE-WAR AND POST-WAR GROSS AND NET DEBT OF THE UNITED STATES

	March 31, 1917	June 30, 1919	Increase
Gross Debt	$1,282,044,346	$25,482,034,419*	$24,199,990,073
Net General Fund Balances †	74,216,460	1,002,732,042	928,515,582
Net Debt	$1,207,827,886	$24,479,302,377	$23,271,474,491

* Differs from the figures on the basis of the daily treasury statements, which are most often quoted, by the excess of redemptions over receipts in transit.

† Net treasury balances, free of current obligations outstanding and accrued, and adjusted for the excess of receipts and expenditures in reports subsequently received.

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The nearest approach to this result may be had from the daily treasury statements of cash receipts and cash disbursements, exclusive of the principal of the public debt, by making the obviously necessary adjustments for expenditures in late reports and the increase in outstanding obligations. The figure thus arrived at is within less than $300,000 of the actual increase. The discrepancy is doubtless due to the same cause that made necessary a downward revision of the 1917 disbursements which appeared in the reports for 1921 and subsequently.

GROWTH OF NET DEBT OF UNITED STATES, APRIL 1, 1917-JUNE 30, 1919, BASED ON DAILY TREASURY STATEMENTS

	Cash Disbursements	Cash Receipts	Cash Deficit
4/1/17–6/30/17	$1,226,566,784	$577,250,101	$649,316,683
Fiscal Year 1918 ..	12,696,702,471	3,664,582,865	9,032,119,606
Fiscal Year 1919 ..	18,514,879,955	1,152,257,136	13,362,622,819
Cash Totals...	$32,438,149,210	$9,394,090,102	$23,044,059,108
Add: Excess of expenditures over receipts in June, 1919, reports subsequently received			25,499,892
Increase in matured interest and other current obligations outstanding			202,207,526
Total Increase in Net Debt			$23,271,766,526

On the basis of warrants issued the discrepancy is slightly over $5,000,000. It is probably due to the necessity for using the cash figures for the receipts and disbursements of the Panama Canal, as well as to the use of unrevised figures for the amounts remaining to the credit of disbursing officers.

From the statements below it must be apparent that the total direct expenditures of the United States during the period in question for all purposes, except postal expenses met directly from revenues, amounted to approximately 23,575 million dollars, of which 170 millions were devoted to the purchase of the stock of Federal Land Banks and Farm Loan bonds. The receipts from all sources reached a total of slightly more than 9,400 million dollars, resulting in a deficit of 14,170 millions

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GROWTH OF NET DEBT OF UNITED STATES, APRIL 1, 1917-JUNE 30, 1919, BASED ON WARRANTS ISSUED—000 OMITTED

Expenditures	April 1–June 30 1917	Fiscal Year 1918	Fiscal Year 1919	Total
Ordinary	$425,209	$8,966,532	$15,365,363	$24,757,104
Panama Canal	5,296*	20,788	12,266	38,350
Stock of Land Banks	8,880	.....	.....	8,880
Farm Loan Bonds	.....	65,153	96,662	161,815
	$439,385	$9,052,473	$15,474,291	$24,966,149
Loans to Allies	885,000	4,739,435	3,477,850	9,102,285
Total Warrants	$1,324,385	$13,791,908	$18,952,141	$34,068,434
Income	577,349*	4,180,425	4,654,381	9,412,155
Deficit	$747,036	$9,611,483	$14,297,760	$24,656,279
Deduct: Increase in net credits of disbursing officers				1,469,095
				$23,187,185
Add: Increase in matured interest obligations				79,185
Net Deficit—Increase in Net Debt				$23,266,370

for the country's own needs, covered by net borrowing to that extent. Loans to the Allies added 9,100 millions, represented by the obligations of foreign governments turned into the treasury. Thus the total disbursements were 32,675 million dollars, and the total increase in the net debt about 23,270 millions.[1]

The increase in the gross debt was even greater because of the larger cash balances held in the general fund during the war period. Just prior to our entering the war, the net treasury balance free of current obligations was only seventy-five

*These figures for the Panama Canal are from daily treasury statements of cash receipts and disbursements. They are not available on a warrant basis for this period of less than a full year.

[1] In the opinion of the writer these figures cannot be used for either a study of the costs of the war or of the extent to which it was met by taxation without considerable analysis and adjustment. It is not sufficient merely to deduct a sum estimated to represent the pre-war peace expenditures. Some of the elements involved can be seen in the discussion below.

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millions. There was one month (December, 1917) when the treasury cash amounted to two and one-half billions. On June 30, 1919, the net balance was slightly over a billion dollars.

The Debt at its Peak

The statement has often been made that the peak of our war debt was reached on August 31, 1919, when it stood at $26,596,701,648 gross and $25,700,395,253 net. It is highly questionable whether these figures have any real significance. Demobilization and liquidation were going on at a rate that called for comparatively huge disbursements, some of them in settlement of prior accounts, especially the Railroad Administration. For example, it was necessary on July 15 to meet payments amounting to $228,400,000 on certificates of indebtedness of the Director General of Railroads. The total cash disbursements during the two months amounted to 1,742 millions, whereas the ordinary receipts were only 496 millions, entailing a current cash deficit of 1,246 million dollars.

This situation was due to the fact that while current expenditures are and must be met as made, current revenues are not received with the same degree of regularity. This is particularly true of the most important single source of revenue, the income tax, which at this time also included the excess profits taxes. As is readily understood, the heaviest receipts on this account come during the months of March, June, September and December. Accordingly we find that the payments made into the treasury during the month of September, 1919, were sufficient to leave a surplus of more than 475 million dollars for the month, despite disbursements of more than 667 millions, including loans of 102 millions to the Allies.

Unless due weight be given to such contingent current assets, which are practically the equivalent of accounts receivable in the business world, a totally erroneous impression is often gained from a study of federal reports, which are purely on a cash basis, especially the daily and monthly statements. A somewhat better picture of the situation can be secured from the annual statements, in which many of the difficulties on the above score disappear. Incidentally attention is also called to

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the necessity of stressing the net rather than the gross debt as of greater significance, particularly because of the material fluctuations in the treasury balances credited to the general fund and the current obligations outstanding to offset these balances.

The importance of these considerations may be realized from a study of the tabulations presented below showing the changes in the debt that took place during the fiscal year 1920.

CHANGES IN GROSS AND NET DEBT, 1919-1920

	Gross Debt	Net General Fund Balances Free of Current Obligations	Net Debt
June 30, 1919.....	$25,482,034,419	$1,002,732,042	$24,479,302,377
August 31, 1919...	26,594,267,878	893,872,625	25,700,395,253
Increase	$1,112,233,459	Dec. 108,859,417	$1,221,092,876
August 31, 1919...	$26,594,267,878	$893,872,625	$25,700,395,253
June 30, 1920.....	24,297,918,411	Def. 32,971,320	24,330,889,731
Decrease	$2,296,349,467	$926,843,945	$1,369,505,522
June 30, 1919.....	$25,482,034,419	$1,002,732,042	$24,479,302,377
June 30, 1920.....	24,297,918,411	Def. 32,971,320	24,330,889,731
Decrease	$1,184,116,008	$1,035,703,362	$148,412,646

It will be seen that from this "peak" period to the end of the fiscal year there was a decrease of almost 2,300 millions in the gross debt, but of only 1,370 millions in the net debt. This was due to the fact that in the course of its refunding operations and in anticipation of the flow of cash into the treasury to meet its requirements, the balance of the general fund was allowed to fall to such an extent that the 393 millions of current obligations outstanding or accrued meant a current deficit of 33 millions. Taking the year as a whole it was this decrease in the cash balance that accounted for seven-eighths of the so-called decrease in the debt. The real decrease, that in the net debt, was less than 150 million dollars.

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nave funded their debts, and will presumably be converted in similar fashion as the remaining debts are funded, this item nay, tentatively at least, be considered a contingent income and expenditure and classed with those preceding it.

On the whole it must be evident that the end of the fiscal year 1919 marked the real peak of the war debt. The net effect of the operations of 1920 was to make comparatively little change, the proceeds of the liquidation of capital assets being used for the acquisition of other capital assets of practically equal face value.

At the close of this year, June 30, 1920, the debt outstanding was as follows:

war, including all Postal Savings Bonds		$883,549,390
Loans—Liberty Bonds and Victory Notes		19,581,201,450
d other Treasury Certificates		827,419,021
tes of Indebtedness		2,768,925,500
interest-bearing debt		$24,061,095,361
debt on which interest had ceased		6,747,700
ing no interest—less gold reserve		230,075,350
Gross Debt		$24,297,918,411
nce of General Fund	$359,947,020	
itstanding obligations	392,918,340	
General Fund balance (deficit)		32,971,320
Debt		$24,330,889,731

Securities Owned by the Government Offsetting the Debt

The fact has been stressed that not all of this debt was curred directly because of our own requirements, but that a ge part of it was raised to help finance the Allies by means loans to them, represented by interest-bearing obligations eld in the treasury. To these advances made under the Liberty Loan Acts were added the sales referred to above, of surlus war property and relief supplies on credit.

Furthermore, it has also been seen that not all the direct disursements should be considered actual expenditures. Many ere really investments, in return for which the treasury held curities of considerable value. Attention has been called to me of these investments, as subscriptions to the stock of the

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It is interesting to note that only this small decrease in th net debt was possible, despite almost 650 million dollars o income realized or credits offset against expenses from extra ordinary sources, as follows:

Sale of surplus war supplies and other capital assets		$331,600,00
Profits on bonds repurchased for retirement.....		66,500,00
Excess of repayments, offset against expenditures		34,400,00
Special deposit to credit of War Finance Corporation ...	$363,100,000	
Less amount added to revolving fund	150,000,000	
		213,100,
Total.....		$645,600

As against this, however, it should also be noted that expenditures included the purchase of Farm Loan bonds to extent of almost twenty-seven million dollars and loans to Allies in exchange for their obligations, that, although by repayments of seventy-one millions, nevertheless am to 350 millions net. Loans of five millions were made railroads under section 210 of the Transportation Act, which the carriers turned over to the government, un act of November 19, 1919, more than 329 million dollar per cent equipment trust gold notes in reimbursement vances made for equipment under federal control.

In addition the War Department received the obligati foreign governments amounting to 482 millions in payme surplus supplies sold them, and the American Relief Ad istration similarly received eighty-four million dollars of s obligations for flour and wheat sold them on credit. The two items did not enter into the accounts at all, either as come or as expenditures, just as is true of similar items duri other fiscal years than the one under consideration. The properly belong in both columns, thus offsetting each other far as the cash is concerned, but assisting in completing financial history of the period.

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have funded their debts, and will presumably be converted in similar fashion as the remaining debts are funded, this item may, tentatively at least, be considered a contingent income and expenditure and classed with those preceding it.

On the whole it must be evident that the end of the fiscal year 1919 marked the real peak of the war debt. The net effect of the operations of 1920 was to make comparatively little change, the proceeds of the liquidation of capital assets being used for the acquisition of other capital assets of practically equal face value.

At the close of this year, June 30, 1920, the debt outstanding was as follows:

Pre-war, including all Postal Savings Bonds		$883,549,390
War loans—Liberty Bonds and Victory Notes		19,581,201,450
War and other Treasury Certificates		827,419,021
Certificates of Indebtedness		2,768,925,500
Total interest-bearing debt		$24,061,095,361
Matured debt on which interest had ceased		6,747,700
Debt bearing no interest—less gold reserve		230,075,350
Total gross Debt		$24,297,918,411
Cash balance of General Fund	$359,947,020	
Less: Outstanding obligations	392,918,340	
Net general Fund balance (deficit)		32,971,320
Net debt		$24,330,889,731

SECURITIES OWNED BY THE GOVERNMENT OFFSETTING THE DEBT

The fact has been stressed that not all of this debt was incurred directly because of our own requirements, but that a large part of it was raised to help finance the Allies by means of loans to them, represented by interest-bearing obligations held in the treasury. To these advances made under the Liberty Loan Acts were added the sales referred to above, of surplus war property and relief supplies on credit.

Furthermore, it has also been seen that not all the direct disbursements should be considered actual expenditures. Many were really investments, in return for which the treasury held securities of considerable value. Attention has been called to some of these investments, as subscriptions to the stock of the

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Land Banks, (later, likewise, of the Intermediate Credit Banks) and the purchase of Farm Loan Bonds, funds advanced to the railroads during the period of federal control and the transition period immediately following. To these must be added the capital stock of the Panama Railroad and the war emergency corporations, representing the revolving funds turned over to permit them to function. In some cases the assets of these corporations were materially in excess of the par value of the stock held, although the reverse was true of others. Among the assets were securities of foreign governments amounting to $56,859,000 held by the Grain Corporation, and turned into the treasury two years later to retire the last $25,000,000 of the corporation's capital stock. At this time most of the stock of the Grain Corporation and the War Finance Corporation had already been retired or otherwise offset by cash deposits with the treasury, an example of which was given above.

The importance of this lies in the fact that many of these securities bore interest at a rate sufficient to meet the requirements on the corresponding debt—and often to leave a surplus —or otherwise provided earnings that were made available to the treasury currently or at some later date. Furthermore the proceeds realized from the liquidation of these securities provided part of the surpluses which were utilized for the reduction of the debt. The same is naturally true of the cash or securities turned over to the treasury by the War and the Navy Departments or by the war emergency corporations when received in the process of the liquidation of surplus war supplies or property acquired for the conduct of the war. That these interest earnings or other proceeds were to a large extent not turned into the treasury at all, but were applied directly to the needs of the respective departments without the formality of reappropriation by Congress, does not affect the principle here enunciated. It merely makes it much more difficult to estimate the total sums realized from such sources and thus made available for the redemption of the debt. This is, of course, on the theory that a truly balanced budget calls for meeting all current costs from current revenues rather than in part from the proceeds of the liquidation of capital assets—especially when the acquisition thereof resulted in a debt increase.

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The face value of the securities thus held by the treasury on June 30, 1920, was more than eleven billion dollars, made up as follows:

Foreign obligations a/c advances under the Liberty Loan Acts	$9,445,006,855
Foreign obligations a/c sales of surplus property	563,032,740
Foreign obligations a/c relief by A. R. A.	84,014,528
Total foreign obligations	$10,092,054,123
Capital stock of war emergency corporations (net)	390,582,376
Railroad securities, including capital stock of Panama R. R.	444,847,105
Stock of Land and Intermediate Credit Banks and Farm Loan Bonds	174,040,510
Bankers' acceptances, a/c surplus property sales	65,192*
Total Securities	$11,101,589,306

Assuming, therefore, that the borrowings of the Allies will be repaid and that the assets of the war emergency corporations were at least equal in value to the net amount of capital stock still unretired or unprovided for by cash deposits, the real net debt of the United States was not 24,330 million dollars, but only 13,229 millions, or, on the basis of full reports, 100 million dollars less.

THE SINKING FUND

In the Victory Liberty Loan Act of March 3, 1919, the former provision for a permanent appropriation of one per cent of the entire debt for sinking-fund purposes was repealed, and a new sinking fund created by the appropriation of 2½ per cent of the Liberty Bonds and Victory Notes "outstanding on July 1, 1920, less an amount equal to the par amount of any obligations of foreign governments held by the United States." Congress thus did assume the redemption of these obligations, providing that any receipts on account of the principal thereof must be applied to the retirement of an equivalent amount of Liberty Bonds. Despite the wording of the provision quoted above, the deduction was interpreted as applying only to the obligations acquired under the Liberty Loan Acts. This was undoubtedly the intention of Congress. The fact never-

* Increased to $104,089,768 on June 30, 1921, chiefly as a result of the receipt of more complete reports from the War and Navy Department as well as from the Shipping Board.

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theless remains that it left out of account the other foreign government securities. It also omitted the other investments which were responsible equally with the loans to the Allies for increasing the debt beyond the point made necessary by the actual expenses of conducting our share of the war. The par value of the offsets thus excluded reached a total of 1¾ billion dollars.

On the other hand, it will be noted, the sinking-fund provision applied only to the funded war loans,[1] which would thus be redeemed within a period of approximately twenty-five years. The floating debt, including the War Savings Certificates, was not covered, the intention evidently being to retire it from current revenue. Similarly no provision was made for the pre-war debt. Inasmuch as the important items thereof are of indeterminate maturity, this omission causes no particular difficulty, retirement being possible whenever the condition of the treasury warrants such action without the necessity of refunding.

The total debt excluded from the calculation of the sinking fund was approximately four and three-quarters billion dollars. Deducting the offsets similarly excluded leaves about three billion dollars of debt for which no definite provision for redemption was made, except that incidental to the use of the franchise tax receipts from the Federal Reserve Banks. Although more than 135 million dollars of bonds have been redeemed from this source during the past four years, little reliance should be placed on it for the future. It produced 121 millions in 1921 and 1922, thanks to unusual conditions which are hardly likely to be duplicated. The earning thus utilized dropped to a little over 3.6 millions during 1924, and may fall even lower in 1925. It was only $3,141,000 in 1920. Thus, except for a surplus of revenues above requirements for current expenses, this three billion dollars of debt would remain unprovided for until after the redemption of the war loans through the operations of the sinking fund, which would thereafter be available for a thorough cleaning of the slate.

[1] The original act was amended on March 2, 1923, to apply to the refunding issues into which the maturing bonds and notes are being converted.

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DEBT REDEMPTION, 1920–1924

The "cumulative sinking fund" provided for by law is not a true sinking fund. There is to be no investment of the installments and the earnings thereon in order to pile up a fund that will be available for the redemption of bonds as they mature. The operation is rather similar to that of a "serial annuity" bond issue. The installments are applied to the purchase and immediate retirement of the government's own bonds in the open market at an average price not to exceed par and accrued interest. To the original appropriation, which, calculated as indicated above, amounted to a little over 253 million dollars, is added the interest saved on the bonds already redeemed. The net effect is exactly the same as though a real sinking fund had been set up, without the complications of the bookkeeping and the guardianship of securities involved therein. With the maturities arranged as they now are, there should be little difficulty, particularly if good judgment is applied in arranging the new maturity dates in the course of refunding operations.

The operation of the sinking fund during four years, 1921–1924, has called for the appropriation of 1,117 million dollars to be applied to redemption. Owing to the possibility of purchasing the bonds at less than par, 1,125 millions have been redeemed. Foreign repayments of about 233 million dollars,[1] even after deducting additional loans of nearly 75 millions, furnished another 150 million dollars for the retirement of the corresponding debt. Add the 135 millions received in franchise taxes from the Federal Reserve System, and we have a total of about 1,400 million dollars as the figure marking the extent of redemption called for by the definite program arranged.

Everything considered, that program and the huge sums thus called for may readily be deemed sufficiently conservative, even in the light of our own debt history. Yet, actually, the process

[1] This represents repayment of the principal only during the four fiscal years 1921-1924. Actual retirements by purchases from foreign repayments and by cancellation of bonds received from Great Britain under the debt settlement reached a total of 389 million dollars. Of this, however, 164 millions was for interest paid in Liberty Bonds by Great Britain under the funding agreement.

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of redeeming the debt has proceeded at a pace more than twice as rapid—indeed, if the redemptions from foreign principal repayments be excluded from consideration, more than 2½ times as fast. In those four years the decrease in both gross and net debt was materially in excess of three billion dollars.

DECREASE IN GROSS AND NET DEBT, 1920-1924

	June 30, 1920	June 30, 1924	Decrease
Gross Debt	$24,297,918,411	$21,251,120,427	$3,046,797,984
Net General Fund Balance	Def. 32,971,320	73,075,156	Inc. 106,046,476
Net Debt	$24,330,889,731	$21,178,045,271	$3,152,844,460

The reductions by years were as follows;

Fiscal Year	Decrease in Gross Debt	Change in General Fund Balance	Decrease in Net Debt
1921	$321,667,803	+$195,674,497	$517,342,300
1922	1,012,171,418	— 195,040,102	817,131,316
1923	614,391,432	+ 226,138,280	840,529,712
1924	1,098,567,331	— 120,726,199	977,841,132
Totals	$3,046,797,984	+$106,046,476	$3,152,844,460

Of the three billions shown to have been left unprovided for either by the sinking fund or by the offsetting securities owned, 1,800 millions, three-fifths of the total, were taken care of in this short period of four years. If the change in the par value of offsetting securities be taken into account, the situation is even more favorable, for there was an increase of 200 million dollars in the total of such securities owned. This may perhaps more properly be reduced to only 100 million dollars because of the adjustment that should be made to allow for the inclusion of the securities held by departments in 1920 but not reported until the following year.

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The deduction of additional foreign loans from repayments made above may seem surprising. Although perhaps not specifically required by the law, it is certainly in keeping with the original deduction of such net loans outstanding on the date when the sinking fund became operative. What is more, it is entirely in keeping with the attitude expressed throughout this discussion. There was also left out of account the interest payments made in bonds under the debt-funding settlements. The law permits the Secretary of the Treasury to use his discretion as to the disposition of such repayments, even when made in cash, except those on account of the principal, which must be used for redemption. This omission was made for the same reason that the retirement of bonds in payment of estate taxes, amounting to 63 millions, was excluded. The treasury took the opportunity afforded to retire all bonds that came into its hands. Only when there is a real surplus, however, does this actually mean a reduction of the debt. Otherwise it merely means either additional short-term borrowing or a reduction in treasury balances. For that matter, the same is true of redemptions made from the sinking fund itself.

It was, then, from the surpluses that the debt was reduced by nearly two billion dollars over and above what may easily be called liberal provision therefor. Moreover, approximately 1,100 million dollars of accrued interest on foreign obligations was neither paid nor funded.[1] Had it been paid or funded, it would either have been available for reduction of our own debt, as was the interest actually paid, or would offset the debt in the same fashion as is true of the additional obligations

[1] This is in addition to the interest accrued and unpaid at the beginning of the fiscal year 1920-1921. The interest thus accrued on advances under the Liberty Loan Acts on April 15 and May 15, 1920, dates on which such interest was due, amounted to $458,107,630. Of this $258,445,164 was owed by Great Britain, and was part of the $585,181,642 in interest funded under the debt agreement with that country. The balance, just about 250 million dollars, was accrued on the advances of the countries which have not yet funded their debts. Interest on the other loans to foreign governments was being paid regularly, was not due until maturity of the loans, or was negligible in amount at that date. On November 15, 1923, the total interest accrued and unpaid was 1,221.5 millions, and on November 15, 1924, the total was 1,481.5 millions. It may be roughly estimated at 1,350 millions at the close of the fiscal year 1924.

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received from Great Britain, Finland and Hungary under the agreements funding their debts.[1] If ultimate refunding and repayment of this accrued interest as well as of the principal may be looked for, it means that within a period of four years our debt was reduced by a little less than four billion dollars. This is a financial feat unparalleled in history. If it could be continued, it would mean leaving this country without a penny of real debt within a little more than a decade after emerging from the war. Its bonds would be outstanding, but they would merely represent the borrowing of the foreign countries covered by their obligations received under the debt settlements.

Sources of Surpluses Available for Debt Redemption

The question still remains to what extent the so-called surpluses were really such. What part of the debt reductions was made possible by an actual excess of current revenue above current expenditures, and how much of it was due merely to the liquidation of available assets which were themselves responsible in part for the size of the outstanding debt? To answer this it becomes necessary to scrutinize more closely the list of securities held on June 30, 1924, and to compare it with the list of four years earlier, as well as to analyze the receipts and expenditures of the intervening period.

Securities Owned by United States Government June 30, 1924

Foreign Obligations	
Funded under debt settlements	$4,587,894,000
a/c Advances under Liberty Loan Acts (unfunded)	5,242,382,894
a/c Sales of surplus property	595,067,397
a/c Relief by A. R. A.	75,812,037
Received from Grain Corporation on final liquidation	55,172,967
Total	10,556,329,296
Capital stock of war emergency corporations (net)	102,215,838
Railroad securities including capital stock of Panama R. R.	456,377,995
Stock of Land and Intermediate Credit Banks and Farm Loan Bonds	127,870,500
Bankers acceptances, a/c surplus property sales	58,519,806
Total securities held by treasury department	$11,301,313,435

The result of such an analysis is to indicate that the increase in the par value of securities during these four years is due for

[1] Similar agreements have since been made with Lithuania and Poland, involving the funding of twenty million dollars of accrued interest.

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the most part to the refunding of the British debt, whereby 525 million dollars of interest, of which nearly half had accrued prior to June 30, 1920, was funded. The agreements with Finland and Hungary similarly added another million dollars. Despite the refunding of ten million dollars of principal under the agreements with Finland and Hungary, there was an increase of thirty-two millions in foreign obligations on account of surplus property sales, and another of the same amount representing the profits of the Grain Corporation when it turned over fifty-five million dollars of foreign securities to retire the last twenty-five million dollars of outstanding capital stock.

There was a decrease of 288 million dollars in the net amount of capital stock outstanding of the war emergency corporations. The net cash proceeds realized from the liquidation of the Land Bank stock and the Farm Loan Bonds, allowing for further purchases during this period, including payment for twenty-four million dollars of Intermediate Credit Bank stock, reached the sum of forty-six millions. Loans to railroads actually registered a slight net increase, four and one-half millions, and another seven millions was invested in the stock of the Panama Railroad. Bankers' acceptances received by the War and the Navy Departments in payment for surplus property were reduced by twenty million dollars. It is questionable, however, whether this should be considered, for the cash realized seems to have been reported as coming directly from the sales of such surplus. The same question arises with regard to the securities held by the Shipping Board for sale of vessels on credit. The reduction of twenty-six million dollars in par value thereof is left out of the account because the cash deposits of the proceeds of such liquidation may be the cause of the net reduction in the stock of the Emergency Fleet Corporation outstanding.

If the interest which accrued on foreign obligations had been paid, it would have been available for the interest payments required on the corresponding Liberty Bonds outstanding. It would thus have relieved us of the necessity of providing these funds, which would, if raised, have been the source of real sur-

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pluses. There is every likelihood, on the other hand, that if it had been, the pressure for tax reduction would have come earlier, and the reduction would probably have been greater. What this seems to point to, nevertheless, is that the accrued interest funded may be considered as real surplus, at least to the extent that it accrued within the period under discussion. The increase in foreign obligations was merely a change in the form of the assets, without either an increase or a decrease in value until redeemed or cancelled.

Omitting the items questioned, therefore, leaves only the decrease in value of the capital stock of the war emergency corporations and the securities purchased to assist the credit structure of agriculture. Deducting the increase in railroad securities, there is still left approximately 325 million dollars which was not surplus, but which was secured from the liquidation of capital assets. To this sum should be added the net repayments of foreign governments on account of the principal of their obligations, shown above to be 158 millions, and approximately 500 million dollars in cash turned into the treasury during these four years from the sale of surplus war supplies and other property. This gives a total of almost a billion dollars which came, not from a surplus of current revenues above current requirements, but from the liquidation of capital assets.

And that is not all. Interest on railroad securities, amounting to not less than 125 million dollars,[1] was credited directly

[1] The annual reports of the treasury furnish data on the interest thus credited to the revolving funds for only three of the fiscal years under consideration:

Fiscal Year	On Loans Under Sec. 210	On Loans Under Federal Control Act	Total
1921	$4,369,607	$26,415,164	$30,784,771
1922	12,906,961	27,324,181	40,231,142
1924	.....	.....	29,397,372
Total	.....	.....	$100,413,285

As the interest on loans made under Section 210 of the Transportation Act now averages approximately eleven million dollars per annum, it can be seen

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to revolving funds instead of being turned into the treasury. How much was similarly credited to other departments, especially in the course of liquidation of the fleet in the hands of the Shipping Board, it is impossible to estimate from the incomplete and fragmentary reports available. Very little has been salvaged or is left for salvage from the total appropriations of 3,542 millions made available to it and the Emergency Fleet Corporation through 1924. It is not beyond the bounds of reason to believe that, as an actual fact, the current revenues of the federal government were barely sufficient for current requirements including the sinking-fund appropriations. Perhaps Secretary Mellon was right after all in anticipating deficits, despite the fact that surpluses were realized.

By rare good luck, therefore, and not as a result of a carefully planned program, at least 1½ billion dollars, and possibly much more, realized from the sale of capital assets, was used for the retirement of the debt incurred in the acquisition thereof, with a consequent saving of at least 150 million dollars interest during these four years alone.[1] With the present tendency toward a lowering of taxes, it becomes vitally necessary to write into the statutes a definite policy to this effect so that similar action in the future may not have to depend on chance. The balancing of the budget must be a balancing of current income against current needs. It certainly must not depend on the use of capital assets for any other than capital purposes.

This is still a matter of some importance. Comparatively little more can be expected from the liquidation of war supplies. Nevertheless, excluding all foreign obligations, the

that the interest on loans made under the Federal Control Act was at least eighteen millions during 1924. Accordingly, the total interest credited to the revolving funds during 1923 can be estimated conservatively at thirty or thirty-five million dollars.

[1] The total reduction in our own share of the debt means a saving of approximately 125 million dollars annually in interest. As about thirty million dollars thereof has since been added to the sinking fund for the redemption of the debt, the lessened burden on the taxpayers is about one hundred million dollars annually, which will be increased by the interest on additional retirements from surplus, as well as to the extent that the remaining foreign debts are funded and the payment of interest thereon is resumed.

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treasury held at the close of the last fiscal year securities to the value of approximately 800 million dollars at par. It is true that some of the capital stock of the war emergency corporations may prove practically worthless, as for example, that of the Housing Corporation. That is more than offset, however, by the excess value of assets of others. The net worth of the War Finance Corporation exceeds materially the stock still outstanding, because of its profits, which on November 30, 1924, amounted to more than sixty-two million dollars. On June 30, 1924, the net worth of the Shipping Board was 307 million dollars in excess of its nominal capital stock. Here is considerably more than a billion dollars of our war debt in the form of property. We should not permit it to be dissipated thinking thereby to serve the cause of tax reduction. It would be the worst possible example of false economy.

Disadvantages of Lengthening the Period of Redemption

Needless to say, it is hardly likely, in view of the increase of expenses through the passage of the bonus bill and the decrease in revenue resulting from tax reduction as well as from the practical disappearance of surplus war property available for liquidation, that the rate of redemption of our own portion of the debt will continue. Redemption from repayments by foreign governments, particularly on account of principal, must not be allowed to confuse us as to the actual rate of reduction of our own share. The increase in the appropriation due to the operation of the cumulative sinking fund may also be attacked. All efforts to reduce the appropriation calculated as is now provided by law should be resisted as leading to a lengthening of the period of redemption.

It is only a half-truth to say that the burden of a debt can be measured in the light of annual requirements for interest. The fact is rather that for those who must meet the costs, the total burden involved in assuming indebtedness is the sum total of all the interest paid as long as any portion of it is outstanding plus the cost of its redemption. This total cost varies directly with the length of the term before maturity. Hence,

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while it is true that the annual burden can be decreased by lengthening the period of redemption, this relief in the annual burden can be secured only at an additional cost that may easily be entirely out of proportion with the annual savings. As an illustration, there is attached a table showing the total cost and the annual cost for interest and redemption of a million dollar loan for varying periods. This table is further illustrated by a chart based on a 4¼ per cent interest cost.

TABLE SHOWING GROWTH IN TOTAL COST AND REDUCTION IN AVERAGE ANNUAL COST FOR INTEREST AND REDEMPTION OF A $1,000,000 BOND ISSUE AS TERM IS LENGTHENED

Term in Years	Paying 4% Interest			Paying 4¼% Interest		
	Total Cost for Interest and Redemption	Average Annual Cost	Reduction in Average Annual Cost	Total Cost for Interest and Redemption	Average Annual Cost	Reduction in Average Annual Cost
5.....	$1,120,000	$224,000	....	$1,127,500	$225,500	....
10.....	1,220,000	122,000	$102,000	1,233,750	123,375	$102,125
15.....	1,320,000	88,000	34,000	1,340,000	89,333	34,042
20.....	1,420,000	71,000	17,000	1,446,250	72,313	17,021
25.....	1,520,000	60,800	9,200	1,552,500	62,100	10,213
30.....	1,620,000	54,000	6,800	1,658,750	55,292	6,808
35.....	1,720,000	49,143	4,857	1,765,000	50,429	4,863
40.....	1,820,000	45,500	3,643	1,871,250	46,781	3,647
45.....	1,920,000	42,667	2,833	1,977,500	43,944	2,837
50.....	2,020,000	40,400	2,267	2,083,750	41,675	2,269
55.....	2,120,000	38,545	1,855	2,190,000	39,818	1,857
60.....	2,220,000	37,000	1,545	2,296,250	38,271	1,547
65.....	2,320,000	35,692	1,308	2,402,500	36,962	1,309
70.....	2,420,000	34,571	1,121	2,508,750	35,839	1,122
75.....	2,520,000	33,600	971	2,615,000	34,867	973
80.....	2,620,000	32,750	850	2,721,250	34,016	851
85.....	2,720,000	32,000	750	2,827,500	33,265	751
90.....	2,820,000	31,333	667	2,933,750	32,597	667
95.....	2,920,000	30,737	596	3,040,000	32,000	597
100.....	3,020,000	30,200	537	3,146,250	31,462	538

It will be seen by reference to table and chart that the total cost of a bond issue increases very rapidly as the term lengthens. At four per cent interest the total cost of a million dollar issue increases $20,000 for every year that the term of the bonds is extended. At 4¼ per cent the increase is $21,250.

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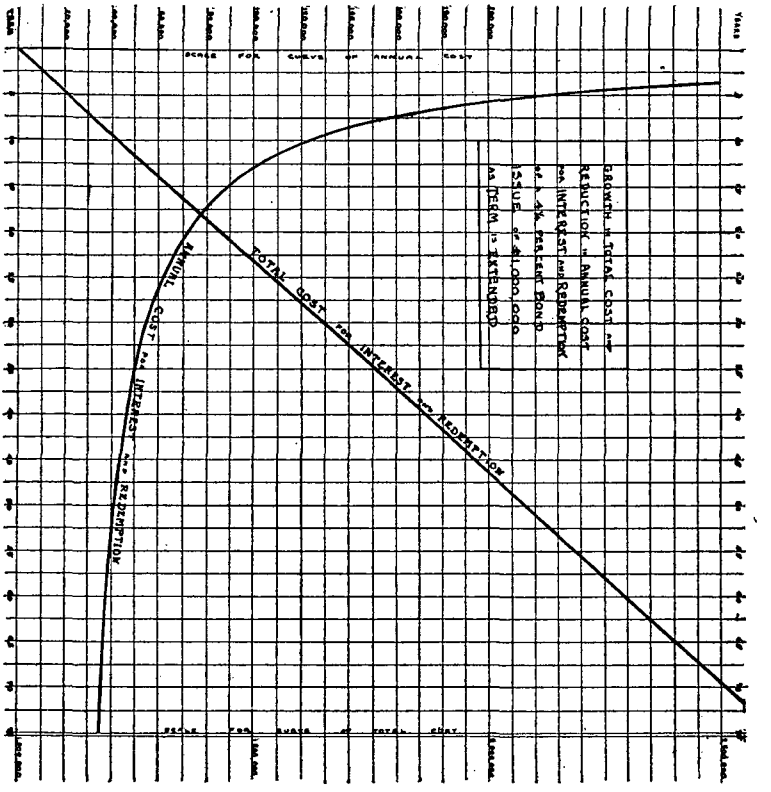
TOTAL COST FOR INTEREST AND REDEMPTION
ANNUAL COST FOR INTEREST AND REDEMPTION
GROWTH IN TOTAL COST OF REDUCTION IN ANNUAL COST FOR INTEREST AND REDEMPTION OF 4¼% 25-YEAR BOND ISSUE OF $1,000,000,000 AS TERM IS EXTENDED
YEARS

The average annual cost of the debt service does not, however, decrease in anything like the same proportion. As the term lengthens the decrease in the average annual cost diminishes. The point soon comes at which this decrease is so negligible as to make it highly questionable whether it is ever economically desirable to extend the term beyond a certain point because of the additional cost involved. For example, an increase in the term of a 4¼ per cent issue from twenty-five years to forty-five means a saving of $21,631 per year, but an additional cost of $425,000 on each million dollars of bonds. The annual saving of 200 million dollars which could be effected by extending to 1965 the period of redemption of our net share of the debt still outstanding would necessitate raising six billion dollars more in taxes to pay the additional interest costs.

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The nature of the debt represented by the Liberty Bonds and War Savings Certificates, as well as by the various issues into which they are gradually being refunded, must not be overlooked. It is a debt incurred to provide for the deficits in current expenditures during the course of waging war. A debt of that kind is certainly very different from a debt contracted for the purpose of creating or acquiring real wealth in the form of public improvements which bring a return either in greater satisfactions or reduced costs. The bonds issued to furnish part of the funds for the construction of the Panama Canal are an evidence of the existence of additional tangible wealth created thereby which makes for decrease in the cost of transporting people and merchandise from the Atlantic coast to the Pacific. A railroad bond similarly is a mortgage on the railroad property and thus evidence of the existence of tangible wealth. Bonds issued to finance wars make for an apparent or an artificial increase of the evidences of wealth, which does not really exist because it has been consumed or destroyed.

Moreover there is the additional fact that the debt was contracted during a period of confusion and haste leading to waste and abnormally high prices and interest rates. It is being redeemed, on the other hand, during a period of falling commodity prices, when the value of dollar is much greater, and interest rates are also much lower.

In paying off the war debt, therefore, we are engaged in writing off a deficit, or, as it might be put, in squeezing out the water from our national capital stock. The best principles of business finance ought accordingly to be followed strictly. This would require getting rid of the debt as rapidly as possible, and the sooner the better.

Whatever may be the economic and psychological effects of financing wars in part by the issuance of bonds bearing interest rather than by the output of paper currency, the essential difference between war bonds and such paper money is slight. The one is wealth no more than the other. The interest paid to citizens on their bond holdings does not add a penny of real income to the nation as a whole. The redemption of the bonds does not add a penny to the wealth of the nation as a whole

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any more than would the redemption of the paper currency at par. Other things being equal, the one is as much an inflationary factor as the other. The requirements for debt service necessitate taking back from the country with one hand what is paid in interest and for the repurchase of the bonds with the other. Funds for debt service can be secured in only one way —and that is by the levy of taxes that directly or indirectly affect prices and reach the citizenry.

If our bonds were outstanding only to the amount of the net debt, and if they were distributed among the citizens in proportion to their income-tax payments, the fact might perhaps be readily visible. As it is probably in other directions that tax relief would come, the effects of which are felt indirectly, and even more because the bond holdings are not necessarily so distributed, an illustration may be helpful.

Assume a taxpayer who sets aside $100,000 of Liberty Bonds for the purpose of providing an annuity wherewith to pay his income tax wholly or in part for a period of twenty-five years, not only by the use of the interest, but also by reducing his principal. Omitting the cost of administration, $100,000 of 4¼ per cent bonds thus set aside will yield an annuity of $6,571.45 for twenty-five years, leaving nothing at the end of that time. Similarly, however, that is exactly the amount of taxes which the government must raise annually to pay the interest and to redeem the bonds within twenty-five years by a cumulative sinking fund. The bonds owned by the taxpayer are merely scraps of paper that the government reaches out for and destroys gradually and systematically. So far as our theoretical taxpayer is concerned he might just as well destroy the bonds at the beginning by making an agreement with the government that such destruction is in lieu of the income tax due from him during the period that such taxes will be required for the purpose of paying interest and redeeming the bonds outstanding.

It is true that we are hardly likely to find the counterpart of this theoretical taxpayer in real life. Neither income taxes nor any other taxes except those on inheritances are paid from capital to any appreciable extent. Even if they are at times,

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it is hardly likely that anyone would actually put aside a capital sum for the purpose and thus allow it to disappear. Rather will the taxes be paid from income so that real wealth to the amount of the war bonds will probably be accumulated during the period of redemption. Yet the illustration is not wholly fanciful.

Assuming the validity of the foreign obligations and offsetting the other securities held in the treasury would reduce the real debt of the country to a little less than ten billion dollars. Interest and sinking-fund requirements are approximately 700 million dollars annually. The retirement of this debt will thus reduce the federal budget by 700 millions and will make it entirely feasible to reduce taxes by this amount, relieving business and deflating prices to the same extent. The relief would be even greater because with the last of the bonds would go the cost of handling them, the bookkeeping, the auditing, the collection and distribution of the vast sums involved. All the additional clerical employees required in the Treasury Department to account for the bonds and coupons would no longer be necessary. Basing an estimate on the increases in personnel that can be definitely allocated to such work, it is conservative indeed to say that the additional cost of the staff as of September 30, 1923,[1] is $10,000,000 annually over that required before the war. In addition to the savings of the government would come similar savings probably many times as great to business and to the individual taxpayers.

Although these are the only real money savings to the country as a whole, there are decided other benefits that will accrue. The distribution of the bond holdings is not the same as the distribution of the tax burdens. The whole question of the incidence and shifting of taxation is involved. Redemption will

[1] The office force on this date already represented a reduction of one-half from the peak, about the end of the calendar year 1919. The 1924 report shows a reduction of 721 employees in two of the bureaus, which was made possible by the clearing up of the work incidental to the issuance of bonds and the introduction of labor-saving methods, as well as the discontinuance of the assortment of interest coupons. This reduction was as of September 30, 1924 over June 30, 1923.

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gradually cause a shifting that cannot but be beneficial in its effects. Even greater will be the economic and social results to be derived from the price reductions that will be made possible by removal from the national budget of the sum now required for the debt service.

T. DAVID ZUKERMAN

NEW YORK CITY

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REVIEWS

The British Empire: A Survey in 12 Volumes. Edited by HUGH GUNN. New York, Henry Holt and Company, 1924–.

Volume I. *The Story of the Empire.* By SIR CHARLES LUCAS. —xvi, 286 pp.

Volume II. *The Constitution, Administration, and Laws of the Empire.* By A. BERRIEDALE KEITH.—xxii, 355 pp.

Volume III. *The Resources of the Empire and their Development.* By EVANS LEWIN.—xviii, 364 pp.

Volume IV. *Health Problems of the Empire.* By ANDREW BALFOUR and HENRY HAROLD SCOTT.—xxii, 413 pp.

Histories inspired by patriotic national expositions and commemorative celebrations have not always been of high quality and enduring value, but this fact should not prejudice us against the twelve-volume survey of the British Empire which was published in England while the Wembley Exhibition was in progress and was welcomed by those in charge of that enterprise as supplementing its work. The volumes of this new series were prepared under the editorship of Mr. Hugh Gunn, a member of the Imperial Studies Committee of the Royal Colonial Institute and formerly Director of Education of the Orange River Colony, and among the names of the contributing authors those of Sir Charles Lucas, Professor A. B. Keith and Professor A. P. Newton are a sufficient guarantee of the solid character of the work. Each of the volumes is self-contained and can be read without reference to any of the others. As a whole the series presents the only comprehensive view that has yet been attempted of the British Empire in the post-war stage of its development. All earlier surveys of the Empire were written before it had assumed its contemporary form and character; and none of them, moreover, is coextensive in scope with the present work, which deals not only with the history, government, natural resources, commerce and native races of the Empire, but also with its educational systems, literature and art, press, and hygienic development. The series is now in course of publication in this country, and the volumes listed above have already appeared.

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The story of the Empire is told by the dean of imperial historians, Sir Charles Lucas. As author and editor Sir Charles has done more than anybody else to spread a knowledge of the history of the Empire, and his latest volume, though cast in popular form and devoid of the customary apparatus of historical scholarship, is the product of long study and ripe reflection. The reader will find himself carried rapidly but smoothly and easily through the successive chronological parts into which the book is divided, and the pleasure of his journey will be heightened by an occasional epigrammatic sentence or phrase, as when he reads that "where Celts had not been assimilated or subdued they took courage and brought anarchy", or that Queen Victoria bequeathed to the future "a completely new edition of the British Empire, revised and greatly enlarged." For the author, the key to British imperial development is to be found in "a well-balanced combination of continuity and diversity, in plain English, ordered freedom, never lost within the island and carried from the island beyond the seas." His whole book can be read as a commentary upon a remark of Carlyle's, which he quotes, about the "invincible" British instinct "to expand if it be possible some old habit or method already found fruitful into new growth for the new need." As the name of the aggregate of communities that owe allegiance to the British King, Sir Charles prefers the old word "Empire", which he thinks should be retained and given a reformed character, to the newer term "Commonwealth". He reminds us, as Professor Hearnshaw has already done, that in the Middle Ages "empire" denoted not domination but independence, and that the word was used in this sense in some of Henry VIII's statutes.

The book is so well calculated to serve its purpose as a general introduction to the history of the Empire that it is to be regretted that the author did not take more pains to avoid conveying misleading impressions in a few places. The historically uninitiated reader could scarcely fail to be misled by the statement that John Cabot "accomplished his purpose . . . . and landed on American soil" (p. 25), or that the Reformation "added incalculably to the liberties of the island people" (p. 26), or that the Navigation Act of 1651 was "a great pronouncement by the English democracy" (p. 68). The Boston Tea Party is abruptly introduced (p. 127) without previous intimation of trouble between the mother country and her colonies; and it is difficult to reconcile the opinion, though it has often been expressed, that the American Revolution inspired the wiser colonial policy of Great Britain in the nineteenth century (pp.

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132-133) with the well-known facts of British colonial administration during the fifty years following the Revolution. Nothing is said of the loss of representative institutions in the West Indies, and the Jamaica Rebellion of 1865 is mentioned as "only worth recalling as one more proof of the abiding strength of humanitarian feeling in this country" (p 205). The extent of anti-imperialist sentiment in England about 1870 is not made clear (p. 209). Port Egmont was not situated on West Falkland (p. 137), nor were the British orders in council the sole cause of the friction between Great Britain and the United States which resulted in the War of 1812 (p. 157). But in spite of a few blemishes this volume will give the general reader what is probably the most satisfactory brief account that he can find of how the British Isles became the center of a vast Empire, and of how this Empire has evolved into something that defies the wit of man to define.

How anomalous it is in some of its constitutional arrangements is made quite evident in the next volume of the series, in which the reader is told at the outset that the Empire has grown "rather by hazard than by conscious purpose, developing in the process protean shapes of constitutional relations", and that this has been made possible "by the British willingness to compromise and reluctance to insist on strictly logical results." The task of describing the political systems of the Empire is one of great difficulty, requiring extensive and intimate knowledge of the form and working of many governments of diverse types, and the power of lucid exposition. For it no one could have been found better qualified than Professor Keith, whose well known volumes on responsible government in the Dominions have long since been admitted to the weighty company of "standard treatises". His contribution to the present series contains the only satisfactory brief and comprehensive description of the governments of the Empire that has been published, and its value will be fully appreciated only by those students of politics who have had occasion to lament the lack of such a work. In the first of the two parts into which the book is divided the author examines the constitutional structure of the Empire as a whole and the constitutional interrelations of its self-governing parts. In the second part he describes the governments of the British Isles (the United Kingdom, Northern Ireland, the Channel Islands, the Isle of Man and the Irish Free State), the oversea Dominions and colonies possessing responsible government, British India and the native states of India, the crown colonies, protectorates and protected states, mandated territories, and British jurisdiction in foreign countries.

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A great difficulty, as Bagehot observed, confronts any writer who undertakes to picture a living constitution, the difficulty arising from the fact that the object is in constant change. This difficulty is especially great in the case of a constitution so largely made up of conventions as that of the British Empire—if one can properly continue to speak of a constitution of the British Empire at all. These conventions, as Professor Keith tells us, "cover the most important of constitutional relations and utterly transform the practical meaning of legal enactments" (p. 5). Yet it may be questioned—and this suggests the main criticism to be made of a book for which the present reviewer is profoundly grateful—whether he does not in some cases over-stress old constitutional conventions at the expense of more recent ones which have, practically speaking, transformed *their* meaning; it may, indeed, be doubted whether he would recognize some of these later conventions as such at all. He quotes the dictum of Sir William Anson that "if in our Constitution we find that law and custom diverge, we must note first what is the law, and then how it has been overgrown by custom." It is almost equally essential, it would seem, to note how an earlier custom is sometimes overgrown by a later one, for it is through such a process in large measure that the "protean shapes of constitutional relations" have been evolved.

By minimizing the significance of recent conventions it is easy to give an exaggerated impression of the diplomatic unity of the Empire, and this, I think, is what Professor Keith does. "When a treaty of any kind affects a Dominion, or India, . . . ratification," he writes, "should not be expressed unless adequate provision exists for carrying it into effect, and the legislature has expressed its approval. The ratification, however, though made on the request of the government affected, is essentially an act of the Crown on the advice of the Imperial Government" (p. 57). In comment upon these statements it may be said, in the first place, that the question of advice to the King is, legalistically speaking, irrelevant. A treaty owes its legal validity to the fact that it has been ratified by the King, and it would be equally valid in law whether this had been effected with or without advice. Therefore since the author speaks of advice we must infer that he intended to give a realistic, not a legalistic, descripton of treaty-making. Until lately the only advice tendered to the King in the ratification of treaties was that of his British ministers. But now it is the recognized practice, formally approved in 1923 by the Imperial Conference, as Professor Keith himself tells us in another passage (p. 94), that the ratification of treaties imposing

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obligations on one part of the Empire only "is effected at the instance of the government of that part." This being the case, the statement that the ratification of such a treaty is "essentially an act of the Crown on the advice of the Imperial Government" seems to be radically defective. In the ratification of a treaty imposing obligations upon, say, Canada alone, the "instance" of the Canadian Government would now appear to be as truly a constitutional convention as the "advice" of the Imperial Government. In Canada it would undoubtedly be maintained in such a case that the "advice" could not constitutionally be withheld if the Dominion Government asked for ratification, that is to say, that the "advice" had become a mere formality, emptied of all discretion. If this view is correct, it would have to be admitted that the Canadian Government has as much control over the ratification of such a treaty as the Imperial Government has over the ratification of a treaty affecting the United Kingdom, and this would come to saying that the diplomatic unity of the Empire has been gravely impaired. With regard to the position of the Dominion plenipotentiaries at Versailles in 1919 it is no doubt true, as Professor Keith says (p. 45), that they were appointed on the formal recommendation of the Imperial Government; but it is pertinent to remark that Sir Robert Borden took particular pains to make it appear of record that the Full Powers authorizing the Canadian plenipotentiaries to sign the Peace Treaty were issued on the responsibility of the Canadian Government.

The author is at heart an imperial unitarian, apprehensive of the pluralistic tendencies in the Empire, though even he is forced to recognize that "in the limited and special degree implied in the Covenant of the League of Nations" imperial unity has been largely lost. He does so, however, with pretty obvious regret. The point of view that colors his interpretation of constitutional relations within the Empire causes him to dismiss as "ludicrous" the claim of the Channel Islands that acts of Parliament are not binding, *proprio vigore,* upon them (p. 196), though as a matter of fact very respectable historical arguments can be adduced in support of the Islands' contention.

Mr. Evans Lewin, Librarian of the Royal Colonial Institute and author of works on German imperialism, has brought together a large amount of useful and important information regarding the natural resources and products of the Empire. He has gathered his facts from official reports issued by the various governments of the Empire, Dominion and colonial year books and publications of the Board

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of Trade, as well as from earlier works on subjects with which he deals. He writes as a convinced neo-mercantilist, an avowed disciple of Joseph Chamberlain and an advocate of "constructive imperialism". His principal purpose, in his own words, is "to demonstrate that there are immense natural resources in the British Empire ready for development, and to show that while it is essentially desirable that foreign trade should be expanded in every direction, it is equally, and perhaps more, necessary that inter-imperial commerce should be extended by a policy of cooperation between the different parts of the empire." How these two desiderata are to be secured simultaneously is not immediately apparent and is not explained by the author. Mr. Lewin's vision does not, at any rate, embrace the conception of a wholly self-sufficing empire, the dream of the old mercantilists. "It is quite certain," he writes, "that the British Empire, although it may be self-supporting, can never become a self-contained, that is an exclusive, commercial and economic entity." While he recognizes that there are other means of promoting trade within the Empire than the method of preferential tariffs, it is clear that he favors the preference policy of the British Conservative Party as represented by the preference resolutions of the Imperial Economic Conference of 1923. Unlike Professor Keith, however, he seems to see nothing to fear in the further political decentralization of the Empire, for he looks forward without dismay to a time, not far distant, "when within the empire there will be a series of self-governing communities, each with its administrative and economic dependencies looking to a local centre of political and economic guidance rather than to the mother country" (p. 9). The greater part of the volume is devoted to an examination of the products—agricultural, pastoral, mineral and forest—of the Empire, and a statistical appendix shows the value of the total exports of all important products (exclusive of manufactures) from the Dominions, colonies and India, and the value of their exports to the United Kingdom, for the years 1913 and 1921. To the thoughtful reader who appreciates the dominance of economic motives in modern imperialism the facts revealed by commercial statistics often speak eloquently. The value of the cotton exported from the Sudan rose from £151,926 in 1913 to £378,893 in 1921 (p. 304). Who will doubt that there is a connection between this increase in cotton production and the present British policy regarding the Sudan? The British Government, Mr. Lewin tells us, realizes the necessity "for taking effective steps to secure from within the British Empire an adequate, and constant, supply of raw cotton" (p. 155).

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In an essay that has been called a flight of the scientific imagination Mr. J. B. S. Haldane expresses the quite sober opinion that the progress of medicine has had an effect upon society comparable with that of the Industrial Revolution. Historians were slow to perceive the import of the Industrial Revolution, and very few of them have yet shown any appreciation of the social significance of what we may presently decide to call the Hygienic Revolution. To devote an entire volume in a survey of the British Empire to the story of its hygienic development was a novel and happy idea of which historians in general would do well to take note. Dr. Balfour and Dr. Scott of the London School of Hygiene and Tropical Medicine modestly speak of the volume which they contribute to the present series as "merely a sketch, a bird's-eye view of a great drama" and as "intended more to evoke interest in the subject and to stimulate research than to furnish facts and figures." They have in the main eschewed statistics and the vocabulary of medical science, yet their work is thoroughly scholarly in point of view and in execution. They show how interest in hygiene, a health conscience, has developed throughout the Empire and indicate something of what has been done by public and private agencies for the prevention and cure of disease, paying especial attention to certain "imperial diseases", a term which they define as meaning "any important communicable malady the presence of which exercises a markedly deleterious effect on the resources of the Empire". Among these are hookworm (with which, it is estimated, some 45,000,000 of the inhabitants of India are infected), cholera, influenza (which in the pandemic of 1918-19 took a heavier toll of life than all the battles of the World War), malaria, plague, small-pox and tuberculosis.

The story of what has been done to combat these scourges is an inspiring one and can be endowed with all the interest that has attached to the warfare of man against man. There is much in modern imperialism that is sordid and cruel, but if it has led in too many cases to the ruthless exploitation of backward peoples, it has also been the means of extending to them the priceless blessings of scientific hygiene and sanitation. If it has sinned greatly, yet we cannot candidly say, in view of such achievements as are recorded in this volume, that there is no health in it. The Englishman has won his highest victories overseas not in some Zulu or Maori war but in the battles that he has fought against the deadly enemies of all mankind in "the savage wars of peace". By these rather than by those he should hope to be judged.

ROBERT LIVINGSTON SCHUYLER

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A History of the Foreign Policy of the United States. By RANDOLPH GREENFIELD ADAMS. New York, The Macmillan Company, 1924.—xv, 490 pp.

The title of Dr. Adams's work does not exactly fit its contents. It is really a brief account, for the most part chronological, of the *foreign relations* of the United States. Strictly speaking, it can hardly be called a history of our *foreign policy*.

Its main thesis is that the United States never has been and never will be able to "stay out of European affairs". Its chief concern is to make a contribution to international cooperation and world peace. The author expresses the hope that his book "may serve to change the focus of attention from the prologues and epilogues of war to those great principles of international association which are the foundations of history" (p. 10). What these great principles are, he fails to state with unmistakable explicitness. Surely a complete enumeration of them in his concluding chapter would not have been inappropriate.

For whom is the book designed? One reads in the preface of the "need for brief surveys of the history of our foreign relations which will, in a measure, popularize our knowledge of the subject." He also notes in the first chapter that the "aim of this volume is to introduce the reader to the elements of American foreign policy", to "popularize a little of the simple arithmetic of the subject". Yet, in this same chapter Dr. Adams states that his work "is designed primarily for the . . . scientific thinkers in international affairs". His effort will make a stronger appeal to the general public than to the scientific thinker. His style, vivid, impressive, sometimes descending to the border line of slang (pp. 109, 145), seizes the reader and carries him with sustained interest to the end. The narrative is almost irresistible. That is, if the reader has not gone too deeply into the details of the foreign relations of the United States. If he has, he may find himself stopping occasionally to quarrel with the author for glossing over errors with brilliant phrases.

The volume is not free from inaccuracies. To attempt an exhaustive enumeration of them here would exceed the limits of this review and perhaps evince a lack of appreciation for the tremendous effort which the author has made to survey the huge bulk of literature dealing with the subject. Only the following, picked somewhat at random, will be noted: The author speaks of a "bull of demarcation whereby the Pope tried to divide the western hemisphere between

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his two friends" (p. 11); evidently he means the newly discovered and undiscovered world. He appears to think that Portuguese exploration of the African coast was motivated solely by the desire for a new route to the Orient (*ibid.*). He contends that "the profit of the middleman explains the discovery of America" (p. 13) and cites Lybyer to prove his point! He seems to accept the view that the "fundamental cause of the War of 1812 was the irreconcilable conflict of the British Navigation Acts with the commercial development of the United States" (p. 121). What about the western expansionists with their eyes on Canada and the Floridas? From the author's narrative the reader is led to infer that Great Britain actually desired to acquire Florida and Texas (pp. 145, 159). One would like to have the document and page on this. By the heading "Taking Texas" Dr. Adams conveys the suggestion of aggressiveness on the part of the government of the United States. Texas really took the United States, abolitionists and all, and it required nine years to do it! Poinsett arrived in Mexico in May, 1825, not in 1826. He did not offer a million dollars for Texas in 1827. He made no offer of purchase at all at that time. General Gaines was not in Texas when the battle of San Jacinto took place. He sent troops to occupy Nacogdoches in July, 1836, and this battle was fought during the previous April. Polk did not occupy the Rio Grande-Nueces section until after the failure of Slidell's mission (pp. 152-163). The famous Canning-Polignac interview occurred in October, not in February, 1823 (p. 174). Bolívar was not "insistent that the United States should be invited" to attend the Panama Congress (p. 181). The Panama revolution to which the author alludes (p. 288) occurred in 1903, not in 1902. The "pacific blockade" of the Venezuelan ports took place near the close of 1902, not in 1901, nor is there unimpeachable evidence that Germany "wanted territory" in Venezuela (p. 292). When Dr. Adams says that Jay "certainly made the best of a very bad job", he is hardly supported by the best authority on Jay's treaty, an authority which, by the way, he cites to prove this assertion (p. 102). Indeed Dr. Adams fails to perceive the chief significance of the treaty. Lastly, he suggests that the United States entered the World War in "defence of her neutral rights"; he presents considerable proof that we should not have gone in had Germany kept her Sussex pledge; and then he intimates that the United States made a deliberate choice of sides (pp. 18, 373-383).

Most of these blemishes may easily be remedied in a second edi-

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tion. Until they are, this otherwise excellent book must be used with caution. Yet it will doubtless be read—and it should be read—to great advantage. Nowhere else will the interested student find a clearer or more unified popular presentation of the main tendencies of American policy with an attempt at evaluating each tendency.

J. Fred Rippy

University of Chicago

Races, Nations and Classes. The Psychology of Domination and Freedom. By Herbert Adolphus Miller. Philadelphia, J. B. Lippincott Company, 1924.—xvii, 196 pp.

Since the formulation of Darwinian theory, no more revolutionary and significant ideas have been given to the world than those which are associated with the name of Freud. So it has been said and there is much to support the statement. Literature and *mores* have been affected tremendously, while no branch of social theory has been immune from the Freudian influence. Carleton Parker injected it into economic discussion by his memorable paper on "Motives in Economic Life". Everett Dean Martin has employed the Freudian hypothesis in his explanation of the behavior of crowds. What these authors, among others, have done within their respective fields, now finds another analogue in Professor Miller's analysis of racial, national and class domination. No one interested in group relationships can afford to neglect his volume. Though brief, it ranks fairly with such solid contributions as that of Martin, of Walter Lippmann in *Public Opinion,* and of A. B. Wolfe in *Conservatism, Radicalism and Scientific Method.*

The domination of one group by another may be political, economic, or cultural. In any event, says the author, the injustice done is not to be determined upon any abstract or a-priori grounds but rather by the pathology of the attitudes that emerge. "Justice is psychological rather than moral." The subjected group calls every action unjust, whatever its intrinsic merit, that is interpreted as a threat to its group individuality. "Those persistent and exaggerated mental states which are characteristically produced under conditions where one group dominates another" are called the *oppression psychosis.*

Just as in the case of the psychopathic individual, when a nation has been thwarted in its efforts for self-expression certain compensatory objects of the will are adopted. Religion and language are

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the most notable instruments of compensation. "'The Irish would have been Protestant if England had been Catholic,' I said to my friend Donahue. 'Yes,' he replied, 'and they would have been damned good Protestants.'" In the hands of a national group dominated by another, religious institutions become powerful means of defense both as organizations and symbols of solidarity. The Irish question is not ninety per cent a Roman Catholic question, as Englishmen are prone to say; rather, the Roman Catholic question in Ireland, "in so far as it has political aspect" is ninety-nine per cent England.

The Czechs prove the Irish case by anti-religion. Dominated by Catholic Austria, unable to attain political self-realization, Czech nationalism became a movement of militant freethinkers. Poland offers another illustration of the same defense mechanism. In the division of the kingdom, the two largest portions went to Protestant Prussia and Greek Orthodox Russia. The Poles, hitherto indifferent Catholics, became ardently devout as soon as the church became a symbol of opposition to alien rule. Similarly, the remarkable growth of Christianity in Korea since its annexation by Japan supports the thesis with respect to religion.

Language is even more clearly employed as a symbol of nationality by dominated peoples. A great proportion of the Albanians who have come to this country learned to read the Albanian language after reaching here, for under Abdul Hamid it was a prison offense to have a book in the Albanian tongue in one's possession. But Swedish immigrants, on the other hand, having had no experience with an alien language threatening to supplant their own, make no conscious resistance to the replacement of their native tongue by English.

The futility of imposing a superior or more powerful culture by force upon a weaker group appears throughout the author's illuminating analysis of the problems of Middle Europe, of Ireland, of the Jew, India, French Canada, Korea, Egypt, and other subordinated elements of the world's population. In the case of the so-called backward peoples, the creation of resentful attitudes, the author believes, is worse than the continuance among them of idolatry, illiteracy or even a high death rate. Nor does the "Myth of Superiority" justify the forceful imposition of civilization. This is a chapter that pro-Nordics should read dispassionately. "As the dominated races are beginning to assert themselves, the dominating groups are searching for moral support. They find it in the theory

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of evolution"—through the perverted reasoning of *post hoc, ergo propter hoc*. "There is not an iota of proof" in the expansion of the white race that it is therefore "better endowed than those whom it has subjected".

Most of the conflicts of the past have been between groups of the kind termed by the author "vertical". A new "horizontal" alignment between economic classes has appeared in western countries, and with it the *oppression psychosis*. The problem of resolving the class conflict and its resultant psychopathic state is similar to the problem of Americanization, but less difficult. We have in both cases to deal with abnormal conditions resulting from subjection to force. The solution in the case of both calls first of all for the rejection of the attitudes of dominance to which the psychoses are due. In industry this calls for industrial democracy. In the case of the immigrant we have inherited all of the oppression problems of Europe. No less than twenty million people in our population are more or less psychopathic on account of one or more national or racial problems of oppression. Americanization must not take the form of the melting-pot, but rather that of psychiatry, directed toward the outstanding psychoses. When, for example, the immigrant from Central Europe, who has long experienced attempts to suppress his native tongue, is presented with compulsion to learn English, his first tendency is to resist it, "especially if the compulsion is accompanied with the implication that he will thereby quickly forget his past." But there is no panacea simpler than that required for the whole world, through a long process of time. "The local problem of the city Americanization committee is not an appropriation for teaching English, but a just arrangement in middle Europe. . . . Americanization is not isolation but integration."

There is no concept of our times more in need of revision and clarification than that of patriotism. Each individual belongs to a variety of groups. To none of these except the immediately personal ones into which he is born does he adhere patriotically without artificial stimulation. Hence there can be no inherited foundation for undivided loyalty to the nation, nor in view of the accidental and temporary scope of the nation can there be a proper rational basis for unreasoned and undivided loyalty to it. There is great moral and practical value in loyalty to all of one's groups, yet patriotism has been limited "by hard and fast boundaries, as though the significant survival values were all within those boundaries." "The way out is the substitution of pluralism of sovereignty for the

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monistic absolutism of patriotism." The idea of *proportional loyalty*, of ten to twenty-five per cent patriotism, leaves a residue of seventy-five to ninety per cent that belongs to values in our lives that are international rather than national. Once aware of communities of interest already existing that are not merely national in delimitation, "we shall eventually find ourselves loyal to international interests which are vital to national life in the same way that we have found national values significant in community life."

STUART A. RICE

DARTMOUTH COLLEGE

Studies in the Economics of Overhead Costs. By J. MAURICE CLARK. Chicago, University of Chicago Press, 1923.—xii, 502 pp.

This is a technical and intricate study of a special problem which has the most widespread and revolutionary consequences for our thinking on current problems. Economic theory has from the start proceeded as if all the costs incurred in any given period of time were directly traceable to the business transacted during that period. It is natural that its founder, Adam Smith, should have neglected overhead costs. Under the domestic system the employee typically owned his tools and worked at home. The outlays of the merchant-capitalist or entrepreneur were almost entirely direct expenses—the hire of the laborer and his tools, and the costs of materials. But that modern economic theorists should have followed Smith in proceeding as if all business costs were directly traceable to the business of some particular month or week is hardly a credit to their independence of thought and observation. In pointing out this blunder, Professor Clark fairly knocks the foundation out from under several of their most cherished conclusions—conclusions about the distribution of wealth and income, about the benevolent workings of free competition, and about government fiscal policy. These economists who neglect overhead costs, moreover, have found little room in their theories for class conflicts, and have tended to diagnose business depressions as ailments chiefly of our monetary and credit system. On both of these points Clark's analysis opens up interesting possibilities.

If the reader looks for a systematic revision of the entire body of economic doctrine such as would be required to take account of the nature of overhead costs, he will be disappointed; but if he seeks suggestions as to the bearing of overhead costs on economic theory he should find much that is new and stimulating. Thus in the field

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of public finance it has usually been held that government revenues should be derived from levies made without much regard for the kinds of expenses they are required to meet, since the costs of government are quite unlike the (direct) costs of business. But for Professor Clark many of the costs of government, which other writers have found impossible to assess on the basis of benefits received, are social overhead, capable of being accurately assigned to some particular group of beneficiaries, though the distribution of this overhead among the members of the group is arbitrary. Hence taxation and public utility rates are closely allied. "The principle of 'ability to pay' . . . is essentially the principle of 'what the traffic will bear'." Formerly the opposition between Professor Clark and the older view may have been of less consequence than it is today, for "the theory of benefits and the theory of ability to pay lead to the same conclusion, so far as the central system of maintaining order is concerned." But for many other government services now of great importance, such as the supplying of highways, the costs, though of an overhead character, can and should be more specifically assigned, and such services should not be undertaken unless "total benefit shall cover total cost". In these cases the "ability to pay" theory of direct cost economics, if applied alone, leads to government fiscal policies that are thoroughly uneconomical, such as the "pork-barrel".

The refinements of the marginal analysis of cost and "productivity" have frequently been used to show that the distribution of income is accurately determined by economic law beyond the power of statesmen, captains of industry, and leaders of labor to alter. And the same analysis has yielded proof that under free competition all socially desirable industry is assured of a revenue that will cover cost plus a reasonable return on investment, and that in the long run all revenue in excess of this tends to be eliminated except where it is due to permanent differences in the natural resources commanded by competitors. Direct cost economics offers little theoretical justification for numerous current industrial policies of the state and other organizations.

As to the precision with which the marginal analysis determines the distribution of income, Professor Clark's conclusion is striking—and somewhat disconcerting to those who would use it to defend the *status quo*. When a plant is operating at anything less than full capacity "those factors of production [chiefly labor and raw materials] which are responsible for the variable expenses behave in such

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a way that, in general, the sum of their marginal contributions tends to absorb the whole product of industry." In other words, on the basis of marginal productivity, direct labor and materials could commonly command the entire revenue of the business, leaving nothing for fixed capital and permanent officials. And the bearing of Professor Clark's overhead cost analysis on the theory that free competition insures full use of available resources and adequate return to the factors of production is almost equally disturbing if we look at the relationship between cost and price:

> The same argument which is used to show how competition brings prices down to cost (so far as it does not rest on the intervention of new competitors) can be used to prove conclusively that competition tends to force prices down to the level of differential [approximately direct] cost, if existing productive capacity will supply the demand at that price.

"Free competition" is necessarily cut-throat competition. Moreover in overhead-cost industries "the only level of prices which will surely call all available productive powers into use [without shutting out demand that can economically be supplied] is a bankruptcy level."

One of the most interesting and important phases of Professor Clark's argument has to do with the "shifting and conversion of overhead costs as they are passed on from the person who incurs them to his customers." Thus "the costs of a telephone company are partly constant and partly variable, while the charge to the consumer may be wholly constant (so much per month . . .) or wholly variable (so much per call . . .)." In conversions of this sort Clark finds a source of conflict between private and social interest, which throws considerable light on the labor problem—labor is a direct cost to the employer while the human cost to the laborer is chiefly overhead. Such conflicts explain why the pursuit of private profits leads to unemployment and the business cycle. But from a social viewpoint, "When it is a choice between use and involuntary idleness, the bulk of the ultimate costs of industry are 'overhead costs'"—the additional cost of producing in a depression above what it would cost to remain idle is negligible. As a remedy for this conflict of private and social interest Professor Clark suggests the possibility of "revolution by free contract"—by changing the form of contracts so as to prevent the conversion of overhead costs to direct costs, and so make private and social interest coincide.

Many writers have suspected the complacent findings of the eco-

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nomic theory of the classical tradition, and revolted against it, by carrying their inquiries into new fields or by confining themselves to the chronicling of facts. But few have succeeded in giving a clearly thought-out logical formulation to their revolt, and in freeing themselves from the classical assumptions—so much are these assumptions a part of our common sense. Hence they have ever tended to return to the fold. Professor Clark is in genuine logical revolt and his book offers a sharp challenge to the accuracy of classical thought, to one who cares to look for it. But its style is difficult, and being impressed with the complexity of the nature of cost, Professor Clark seems almost to have tried to make it appear as complex as possible by multiplying distinctions which he hardly uses. Moreover, the issues between his position and direct-cost economics are now implied, now barely sketched. It will only be natural, therefore, if the pound of *ceteris paribus* and the other defense reactions of the orthodox economist enable him to read the book with perfect equanimity, and to conclude, as a reviewer for one of the standard economic periodicals already has done, that it succeeds in correcting certain minor inaccuracies of doctrine.

MORRIS A. COPELAND

CORNELL UNIVERSITY

Through Thirty Years, 1892-1922: a Personal Narrative. By HENRY WICKHAM STEED. Garden City, Doubleday, Page and Company, 1924.—xiv, 412; vi, 418 pp.

Mr. Steed was for seventeen years correspondent of the London *Times* in Berlin, Rome, Vienna and Constantinople; in 1914 he became its foreign editor, and after the war he succeeded to the editorship, a position which he held until the death of Lord Northcliffe. Evidently he was predestined for journalism, for which he prepared himself by long study in German and French universities, and he always interpreted his functions in a most liberal sense. So he has been able to write a book of unusual interest and value, which no student of recent history can afford to neglect, for three excellent reasons. He takes the reader behind the scenes of the European stage to show, as no other writer has done, the hidden forces which in the last analysis determine policies; he reveals not a little secret history; and he exhibits the journalist in quite a new light as a kind of *liaison* officer in delicate situations.

In Rome, Mr. Steed learned from Italian and Vatican diplomatists the real status of the "Roman question". Neither side wishes to

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heal the formal breach. Should there be a reconciliation, foreign Catholics would suspect the Pope of being a mere instrument of the Italian Government, and would demand proportionate representation in the College of Cardinals; then the papacy might cease to be Italian and would have to be turned out of Rome, which the Quirinal would regret as much as the Vatican. The latter also finds the present situation financially profitable, for foreigners contribute the more readily to the support of the "imprisoned" Pontiff. In short, a delightful *combinazione* which satisfies everybody.

Mr. Steed's book on *The Hapsburg Monarchy* has become a classic, but the restraints necessary in 1913 no longer exist, and the machinations of Aehrenthal and Berchtold, Francis Ferdinand and Conrad von Hötzendorff can be set forth in pitiless detail. Yet, in the long run, Mr. Steed holds the mediocrities of Vienna less responsible for the fatal course than their allies in Berlin and Budapest. He believes Austrian policy to have been determined by Jewish high finance working in close touch with similar groups in Germany and by Magyar feudalism which always looked to German junkerdom; against this combination, which was supported by Clerical hatred of Serbian Orthodoxy, the Slavs of the Dual Monarchy were helpless. When Mr. Steed had grasped this fact, he began, in 1909 and 1910, "to take counsel with the leaders of the non-German and non-Magyar races", in whose aspirations lay "the only safeguard against the ultimate success of German schemes for the mastery of Europe and the East" (I, p. 325). It was the connection thus established which enabled him, in September 1914, to devise means by which Czech soldiers might easily and safely desert to the Russians (II, pp. 41-45), and later, to conduct the propaganda for the break-up of the Hapsburg state; it was the accurate knowledge thus obtained which caused him to oppose, privately and publicly, all efforts for a separate peace with Austria. Apparently it was Mr. Steed, Dr. Seton-Watson and their protégés President Masaryk, Franz Supilo and Dr. Ante Trumbitch, who persuaded the British Government to espouse the cause of the Slav peoples of Austria-Hungary.

To cite all the diplomatic and political revelations would require an article. Probably the most important is that in January, 1913, so the Austrian ambassador in Rome told Mr. Steed, after a trip to Berlin, Germany believed that *"England will glatt marschieren"* in the event of a great European war — and restrained Vienna; whereas in 1914 the opposite conviction prevailed. For the first time the story is told of how Albert Ballin sought to have the *Times* ad-

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vocate British neutrality (II, pp. 16-25), a policy so far from the thought of Northcliffe and Mr. Steed that they were prepared to work for the overthrow of the Asquith Ministry if it hesitated to enter the war, and it was they who suggested to the Unionist leaders the historic letter pledging support to the Government (II, pp. 7-12).

As a journalist, Mr. Steed learned many of his tricks from the Italian statesman Visconti Venosta, who had migrated from the press to politics. The secret of success was not merely to receive information and to respect confidences, but to give something in return, a service which the resources of the *Times* made feasible enough. His conduct inspired such confidence that he acted as intermediary between Sonnino and Joseph Chamberlain, and later between Aehrenthal and Tittoni and between the Greek and Bulgarian Governments. At Vienna, his advice was asked—but not followed—about Bosnia; twice he defeated schemes of Aehrenthal by exposing them in the *Times;* and on several occasions he provided King Edward VII with prompter and more accurate information than was forthcoming from the British embassy, while on another he paved the way for a meeting of the King and Clemenceau, the same Clemenceau who had dismissed him twenty years before with the growl, "Young man, know that I never give an interview" (I, p. 58). Clemenceau's view was that a British army of "250,000 or 500,000 would change the course of the War" (I, p. 287). This was in 1908. Three years later, King Carol of Rumania said to Mr. Steed, "England has a fine little army, but no field army. She must make one, the peace of Europe may depend upon it" (I, p. 349). The professional journalist had become an amateur, but most successful diplomatist.

During the war, Mr. Steed's services were in frequent demand by the Italians and the Yugoslavs to mediate between them, and this rôle was continued at Paris, where he was on the closest terms with Colonel House. This intimacy was not altogether fortunate, for Mr. Steed did not cease to wield his pen, and one article, which expressed an unpopular view that Colonel House was trying to persuade Mr. Wilson to adopt, greatly offended the President (II, pp. 282-284). The Colonel had not inspired the article, but the President would not be convinced, and Mr. Steed believes that most unwittingly he contributed greatly to the breach between Wilson and House. If Mr. Steed was not greatly enamored of Woodrow Wilson, he approved of and worked for the Wilsonian policies, and he rings the changes on Mr. Lloyd George; indeed a conversation in October

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1918 revealed grave doubts whether that slippery statesman was even then in favor of a "clean peace" (II, pp. 244-246).

Some of Mr. Steed's statements have aroused considerable controversy and produced vigorous denials, notably the story of Clemenceau's challenging Lloyd George to a duel (II, pp. 330). In this case he may have been misinformed, but where his statements can be checked from other sources, they are generally found to be correct. The book is obviously based on memoranda and notes made after conversations and interviews, in accord with the best diplomatic tradition: they are no doubt quite as reliable as the documents which pass for the alpha and omega of historical knowledge.

BERNADOTTE E. SCHMITT

UNIVERSITY OF CHICAGO

Essays in Economic Theory. By SIMON N. PATTEN. Edited by REXFORD G. TUGWELL. New York, Alfred A. Knopf, 1924.—xvii, 399 pp.

As a great teacher, Simon N. Patten needs no further eulogy than fellow-economists have already sincerely accorded him. The significance of a collection of his essays is that it gives an opportunity to estimate what is permanent in his work. Such an estimate is aided by the fact that Professor Tugwell's skill in editing has resulted in a thoroughly representative selection of Patten's most stimulating essays.

The following test of permanence, which Patten applied to the work of other economists, may well be applied to his own work: "Phrases are more important than volumes, and have an immortality that no scientific book can gain. The only part of the economist's work that lives is his charts, diagrams, and contrasts." One of Patten's best "contrasts" is that between the old "pain-deficit economy" and the new "pleasure-surplus economy". By this contrast, he built up the idea couched in his ingenious phrase, "the new basis of civilization".

These phrases are closely related to the entirely new significance which Patten read into the "theory of consumption". It was his doctrine that economic progress depends not so much upon the physical quantity of wealth as upon the fine art of consuming wealth in right ways. Not produce greater and greater masses of goods, but consume nobly and wisely what you already produce, was the burden of his thought. The advertiser and the salesman have given careful attention to the control of consumers' tastes. Unfortunately for economics, however, Patten did little more than suggest the importance of stand-

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ards of consumption. Other economists have quoted some of his laws of consumption with approval, but have not proceeded in any bold and frank way to make room for a study of the consumer in their theory.

Practically all of Patten's work concerned itself freely with progress and welfare. Two of the most famous titles of his essays are "The Theory of Dynamic Economics" with emphasis upon dynamic, and "The Reconstruction of Economic Theory" with emphasis upon reconstruction. It seems inevitable that most of the technical logic beneath these titles will be largely ignored, because of the purely deductive method employed and the devotion to abstract classifications. Nevertheless there is a spark of vitality in these essays, and this doubtless lies in the earnestness with which he emphasized growth, change and betterment.

He penetrated an ancient myth of the theory of free competition by his contention that conflict for the sake of conflict had no positive economic value and should be superseded by more cooperation in business, guided by the hand of government. The old notion he branded as "The Conflict Theory of Distribution".

His contention that every economist is the victim of his own "background of economics" has helped to place the classical economics in its proper setting. It destroys the notion that certain classical principles are eternally right, by showing that they were often the reactions of prejudiced men to temporary conditions.

And yet, in spite of Patten's bold attacks upon the citadels of economics, his attacks have been at the mercy of a force which he described as follows: "One can almost say of theories that, like superstitions, they never die." The dogged persistence of the old theories which he attacked is in part due to a defect in his method of economic thinking. His method was purely deductive. He reasoned by excessively abstract logic, and his chains of ideas at times are almost metaphysical. He lacked entirely the technique of science, experiment, and verification, which the younger generation of economists look upon as the hope of economics. Patten's work was not at all quantitative. He took no time for verification. As a consequence, although his theories have permanence such as their brilliant suggestive power can give them, nevertheless they lack that tenacity which belongs only to propositions which can be proved by scientific methods.

The younger generation of economists will derive much of inspiration from Patten's brilliant phrases and contrasts, but they are bound to realize after all that the most that Patten accomplished was to throw out stimulating suggestions and to state new problems. He did not by

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any means arrive at concrete answers to the outstanding new problems of the science. He indicated pathways of needed research, but did not travel over them himself. Economists will read Patten chiefly because he is a great guide and introduction to the real research studies which need to follow.

LIONEL D. EDIE

INDIANA UNIVERSITY

Representative Government in Industry. By JAMES MYERS. New York, George H. Doran Company, 1924.—xi, 244 pp.

Mr. Myers's discussion of representative government in industry divides itself into two parts; one of which is a consideration of what might be called first principles and philosophy in industry; and the other of which is an exposition of the working of one particular plan of representative government, as Mr. Myers has seen it in operation in the company with which he is associated, although other experiences are also noted. Both author and publisher unquestionably expect the book to be judged on a basis of its contribution in both fields. Yet to the present reviewer the book's unique contribution seems to be wholly in the latter field. The exposition of the employee representation plan at the Dutchess Bleachery is excellent. It is a valuable addition to the too few concrete statements which are available in print regarding the actual working of shop committees.

The labor policy of this company is remarkably advanced, including as it does the joint determination of wages on the part of a conference group of employees and management, the payment of unemployment compensation, the division of profits with the salaried and manual workers, the assumption of the usual "service work" by the employees, under the direction of an executive paid in part by them, and representation of employees on the Board of Directors of the company. Mr. Myers has set forth the progress of the experiment in these different directions with exceptional skill. Although obviously enthusiastic for the general policy which has dictated these methods, he is at pains to recognize fully the difficulties and dangers which have been encountered, the limits of the use of democratic methods in attacking the complex problems of a corporation.

He comes to precisely the conclusion that have practically all other first-hand observers of corporate efforts to extend responsibility over corporate problems to employees: the conclusion, namely, that employees are exceedingly slow and reluctant to assume responsibility and exceedingly conservative in the use which they make of the power

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which they have. He italicizes this conclusion in the following phrase: "experience with works councils has emphasized the difficulty of making the plans function, of persuading the workers to use the channels thus open to them, rather than the problem of restraining them from a radical use of the machinery provided."

The inquiring employer and student should find the chapters on employee representation and its technique (chapters 4 and 5) a remarkably wise guide and handbook for preliminary study. And it is significant to note how fully in accord Mr. Myers's conclusions are with those of other recent writers in this field, as for example, Mr. John D. Rockefeller, Jr., Mr. E. S. Cowdrick (*Manpower in Industry*) and Mr. A. L. Filene (*A Merchant's Horizon*).

With so much that is valuable in the book, the reviewer is reluctant to dwell upon what appear to him to be difficulties growing out of the author's effort to discuss the philosophy of the situation. Exception is perhaps not to be taken so much to the conclusions which Mr. Myers reaches in these chapters as to the general manner in which he reaches them. He is much preoccupied with "industrial democracy". Yet nowhere does he attempt to set forth in a searching way his conception of the meaning of this phrase.

There is also a too facile assumption of the ease with which efficiency is to be achieved under a condition of "industrial democracy". One would like to accept as true such a conclusion as that quoted below. But at present such statements stand as personal aspirations almost as much as scientific judgments growing out of a grasp of administrative problems. Mr. Myers concludes that:

> In the nature of modern industry it is evident that only a share in industrial management can produce in the masses of industrial workers the intellectual and moral qualities which are necessary to the survival of civilization. Democracy is, therefore, the only possible basis for an efficiency which will have a survival value in the industrial order.

What is meant by a "share in industrial management" and by "democracy", is precisely the question at issue today. And assertions of the above sort, valid though they be, carry our thinking forward very little.

Such problems as the place of the staff expert and the selection of executives in an "industrial democracy" are naturally raised in the reader's mind, but the author offers no guide to their solution. He does insist that a greater decentralization of industrial control will demand a "higher morality"; but the precise nature of the morality and the way of generalizing it the author does not designate.

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Nevertheless, Mr. Myers's book performs a distinctly valuable service, and on its factual side represents a useful addition to our literature on industrial relations.

ORDWAY TEAD

THE NEW YORK SCHOOL OF SOCIAL WORK

Conciliation and Arbitration. By R. N. GILCHRIST. Calcutta, India, Superintendent Government Printing, 1922.—237 pp. (No. 23, Bulletins of Indian Industries and Labour.)

The search for industrial peace goes on persistently and the story of the quest, like that for the Holy Grail, is ever one of frustrated efforts and of disappointed expectations.

One of the latest and best accounts of the world-wide efforts to quiet industrial strife is from the pen of Mr. Gilchrist of the Indian Educational Service and Acting Controller of the Labour Bureau of the Government of India.

The study is historical, descriptive and critical. All countries of the earth where modern industrial methods have become established are brought under review. As might naturally be expected, the account of the experiments in the English-speaking countries receives most attention but this is largely due to the fact that in these countries the efforts to provide the machinery for settling industrial disputes have been the most comprehensive and original.

Mr. Gilchrist recognizes three stages in the development of methods for securing industrial peace. There is first, the stage of irregular negotiations where the party possessing the greater strength—usually the employer—wins in the major issues. Next come conciliation and arbitration. The costly nature of the struggle is recognized by both parties and efforts are made to prevent as well as to cure industrial dislocation. Finally, we have the stage of compulsion where the public interest in such disputes comes to the front and an effort is made to lay down recognized principles for settling disputes.

It is not claimed by the author that these are stages in the actual historical development. Few countries have actually passed through all three stages and some countries may not enter the third stage at all. They are rather stages in social psychology and measure the progress which a country has made in creating a homogeneity of interests and a communal consciousness.

Great Britain's development since the passage of the conciliation act of 1896 shows a general tendency to make use of conciliation boards for particular trades, a tendency which has found its climax in

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the establishment of the Whitley Councils. Of these councils Mr. Gilchrist speaks perhaps with as much enthusiasm as he allows himself in dealing with any particular method for settling disputes. He says (p. 53):

> Their underlying principle is just, their object plain and their motive honest. Apart from rigorous compulsion—which is admittedly impossible—or a *de novo* reconstruction of industrial society, they seem to represent the climax of human ingenuity as far as industrial *rapprochement* is concerned.

The Australian legislation on industrial disputes Mr. Gilchrist finds to be "the most interesting and most instructive in the world". The reason lies not so much in the success of this legislation as it does in the fact that Australian legislators have been willing to cast precedent to the winds and to experiment on their own account. The Australian states have sought "to stamp out lockouts and strikes" and their failure to do so up to the present time, as Mr. Gilchrist notes, has not discouraged them. In Mr. Gilchrist's book we find the best account we have in any secondary source of the sweeping act of 1918 in New South Wales whereby the state has laid down standards of wages and working conditions and has thus relieved the courts of tasks for which they were ill-fitted. The function of regulating wages is now entrusted to the Board of Trade. In New South Wales and Queensland, as well as in New Zealand, the success of conciliation as an aid to the arbitration courts is particularly worthy of commendation.

Mr. Gilchrist quotes with apparent approval Lord Bryce's verdict as to the merit of the Australasian legislation for preventing strikes, a judgment which, while not adverse to the Australian experiment, leaves one unconvinced as to its success. With this judgment the reviewer does not find himself in full agreement. No student of the Australasian plan can rightly claim for it complete success, but New Zealand, at least, has gained much more than she has lost by the scheme. This is not to say that other countries might expect to have the same degree of success with compulsory arbitration, for as Mr. Gilchrist points out in the concluding chapter: "Certain types of law are more suitable to the nature of a people than other types, e. g., laws which may be suitable for the robust and independent workers of New Zealand might not be equally suitable for the more mercurial and more ease-loving Italians" (p. 226).

The Canadian legislation—especially the Lemieux Act—on the whole meets with the author's approval and it appears to him that this

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type of legislation is likely to meet with more and more favor especially in those disputes where the interests of the public are regarded as paramount. But he notes that in South Africa, where the principle of the Lemieux Act has been adopted, very little use is made of the law, which again shows that legislation to be successful must be responsive to environmental conditions.

Gilchrist's survey of the experiments which have been made in the United States leads him to about the same conclusions as he reaches in regard to Great Britain, viz., that better results have been reached by mediation and conciliation than by arbitration. He seems to detect a tendency, however, towards compulsion here as shown by the adoption of the Kansas law of 1920 and the drafts of similar bills introduced into other state legislatures. He would, no doubt, in view of the later history of the Kansas Court, reduce his expectations that the compulsion idea might spread here.

The author's view of European continental legislation reveals nothing of value so far as constructive reforms are concerned. As he notes, "Continental legislation on the whole shows a uniform record of restriction" (p. 192).

The author's conclusions as to the value of all legislation intended to promote industrial peace as he gives them in his concluding chapter, after having reviewed the world's experiments in this field, are conservative and must commend themselves to other students of this problem. Briefly stated, they are about as follows: (1) "There has been no definite line of development in legislation for industrial peace either in individual states or in the world as a whole." (2) The main issue at present is between force and voluntary methods, but compulsion, except as to investigation, does not seem to be gaining ground. (3) The public point of view is coming more and more to the front and is tending to draw a distinction between disputes in public service or basic industries and ordinary industries. (4) Compulsion is possible only where it is desired by the common consciousness and is more likely to succeed in countries where its adoption and support are the work of a strong labor party. (5) "The comparative success of any method must be read closely with the previous history of the people." (6) The level of education among workers is an important factor in the choice of a method. (7) The form of political organization, e. g., whether the state is unitary or federal, is important. (8) Where arbitration is attempted by the government, the legislature should make clear what standards are to guide the judges in their decisions. Otherwise the judges, obliged to adopt their own standards, will be

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justly charged with a class bias which none of us can hope to escape. (9) No scheme of government control will succeed which does not provide for the collection by the government of adequate data relating to industrial matters likely to have a bearing on the subject-matter of the dispute. (10) The history of legislation for industrial peace shows the impossibility of predicting how any given measure will work.

M. B. HAMMOND

OHIO STATE UNIVERSITY

The Industrial Worker, 1840–1860. By NORMAN WARE. Boston, Houghton Mifflin Company, 1924.—xxi, 249 pp.

This is one of the increasing number of Hart, Schaffner and Marx studies in economics. The present volume was awarded first prize in Class A and deserves to rank among the best essays of the series.

As suggested in its title, the study is concerned with the status of the American worker in that interesting period 1840–1860 which, as the author suggests, has been regarded almost entirely from the standpoint of the slavery issue to the neglect of other social and economic forces more obscure perhaps but no less vital and important. The investigation covers the political status of the nation, the influence of immigration, the general spirit of the times, the social status of the worker, the expansion of the new industrialism under the influence of the Industrial Revolution, the effects of the revolutionary technical changes upon the economic position of the wage-earner, and the movements for cooperation, associationism, land reform and labor organization. The purpose of the volume is "to portray the social and economic conditions in which the revolts of the forties took their rise; to interpret the purposes of those involved, their reactions to the new industrialism; to trace the movement and experiments, working-class and reform, that emerged, and their transformation as the period advanced" (p. ix). For the most part the aim is achieved in a thoroughgoing manner, the author's analysis being supported with an abundance of historical and statistical data.

The American workman is silhouetted against the dark background of the Industrial Revolution, which from its genesis about 1800 exercised far-reaching effects upon his life. The inevitability, permanence and benefit of the mechanical changes which were taking place with astounding rapidity appeared far less clear to industrial workers in the first half of the nineteenth century than they do to those who can view them in the light of historical perspective. For the former the Industrial Revolution spelled degradation involving not only loss of com-

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forts but loss of status and independence. To them the immediate loss of economic security and consequent degradation of the standard of living was a reality from which they could find no escape, and they were afforded no comfort by the philosopher's promise of ultimate advantages. They were conscious of the fact that not only was the technique of industry and production undergoing revolutionary changes but also that the sovereignty of economic organization was henceforth to be vested in the hands of a relatively few persons who had acquired their wealth not primarily as producers but as distributers. The new capitalism, moreover, meant subordination to soulless machines and the rigid discipline of factory life. Of that much they were certain, and for the time being it was all they cared to know.

There is statistical evidence a-plenty to show that during the period under discussion industrial workers as a class were rapidly losing ground. It is apparent that no important group of wage-earners made any advance in real wages, nominal increases being more than absorbed in the increasing cost of living. What reductions in hours of labor had taken place did not represent a clear gain because the coming of machine processes had shown a marked tendency to speed up production and make greater exactions upon the physical and mental efforts of the workers. The shorter workday, therefore, although representing a gain to the wage-earners, was not a net gain. The physical conditions of employment in the new factories doubtless compared favorably with those in the homes under domestic industry. The new industrialism, however, meant less security of tenure than the worker had enjoyed under the earlier and simpler forms of economic organization. Under the old system artisans were more than artisans, and slack periods found them engaged in agriculture and other lines of work which assured them a source of income. The increasing complexity of the industrialized community with its ever-widening area of markets the needs of which were increasingly difficult to determine tended to rob the worker of subsidiary sources of income and to make unemployment a real specter.

Although the author devotes a considerable portion of his study to the struggle for higher wages, a shorter workday and improved conditions of employment, he concludes that the industrial worker and his friends were not thinking primarily about these things when they referred to their increasing degradation. These were a real part of the worker's discouraging status, but a far more significant part was the psychic disturbance caused by the realization of a distinct loss of dignity and independence. It is not an easy matter to accept the author's

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interesting conclusion at this point. In the final analysis the loss of dignity and independence is regretted largely because it deprives the workers of that which has always been of primary importance to them, namely, the control over wages, hours and conditions of employment. The frequency of strikes for improvement in these particulars indicates that the workers between 1840 and 1860 were very much concerned with these matters. Their abandonment of associationism and land reformism and acceptance of more opportunistic policies and methods suggest the same thing.

Perhaps in no other particular does the present study of this much discussed period render better service than in its emphasis upon the fact that the protests of the forties were fundamentally conservative and defensive both in temper and purpose, although frequently expressed in idealistic movements erroneously viewed as revolutionary. The author is careful to point out at frequent intervals that, after all, capitalism appeared as the truly radical force, ruthlessly destroying the liberties and conveniences of an older and slower-moving economic order. Our approach to economic problems will be clarified considerably if we can recognize this revolutionary rôle of capitalistic industry. Industry is essentially radical when it is a matter of adopting new machines, methods and processes which will react favorably upon the balance sheet; it is conservative only with regard to innovations that concern the extension of power and benefits to the workers. Revolutionary capitalism has been far more real and effective than revolutionary socialism. The westward expansion of the American people, the author thinks, was a flight from the innovations of the new industrialism. Free land and the discovery of gold in the West proved a source of salvation to the distressed industrial worker, although at the same time the westward movement destroyed all possibility of a permanent, stable labor movement. The appeal of the frontier was effective in weaning the wage-earner from the phantoms of unrealistic reformism. Those who remained in the areas of the new industrialism sought improvement in wages, hours and general economic status.

Professor Ware has given us a detailed and thorough study of a period in our industrial history with which the student of labor history has heretofore had only a general acquaintance. It can hardly be said that the results of the investigation uncover any new truths for the student of industrial relations. The idealistic character of middle-nineteenth century reformism, the ultimate failure of utopian experiments, the influence of the frontier and the discovery of gold upon the status of the people, the effects of the new industrialism upon the eco-

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nomic and social position of wage-earners, the suppressive influence of industrial paternalism, the revolutionary nature of capitalism, and the return of the workers to more practical solutions of their problems, are all historical facts with which special students of labor problems are already familiar. This, however, will not make such students any the less grateful for so splendid a marshaling of new evidence and data to support already accepted conclusions.

GORDON S. WATKINS

UNIVERSITY OF ILLINOIS

The Problem of Business Forecasting: Papers presented at the eighty-fifth annual meeting of the American Statistical Association, Washington, D. C., December, 1923. Edited by WARREN M. PERSONS, WILLIAM TRUFANT FOSTER and ALBERT J. HETTINGER, JR. Published under the auspices of the Pollak Foundation for Economic Research. Boston, Houghton Mifflin Company, 1924.—xiii, 317 pp.

The destruction caused by a catastrophe such as a war, pestilence, or economic crisis, usually gives birth to a general interest and discussion of causes and the possibility of devising means of preventing a recurrence. Discussion has thus far done very little towards the prevention of war, but it has done a great deal towards the prevention of pestilence, and it may do something—if not toward the prevention—at least toward an understanding of financial and economic crises. The panic of 1907 concentrated the attention of economists and bankers upon the defects of the national banking system and, as a result, gave rise to a discussion of preventing a recurrence of panics by changing or revising the banking system. Since the inauguration of the Federal Reserve System, however, there has been a shifting of emphasis from the defects of our banking system to the inherent peculiarities of the "money economy".

As a result of this shifting of emphasis, the direction of the study of the business cycle has changed from the effort to prevent its recurrence (by eliminating the causes) to the more modest goal of alleviating and mitigating the severity of the effects of the business cycle by a thorough understanding of its operation. The inevitable result of such an attitude is to utilize all available economic talent and data toward offsetting the effects of the business cycle by forecasting the periods of prosperity and depression. *The Problem of Business Forecasting,* the collection of papers edited by Persons, Foster and Hettinger, under the auspices of the Pollak Foundation,

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represents the efforts in this direction of a group of statisticians and economists.

The book aims to cover business forecasting as a problem applying both to business in general and to special industries in particular. Each problem is presented by an authority and, in many cases, by a man actively engaged in the industry which he discusses. The authors of this book (of whom there are twenty-one) have the additional advantage that in practically every case they are associated with an organization which is carrying on extensive research work in some special field. Thus Mr. Willford I. King reports some of the work of the National Bureau of Economic Research, Mr. W. Randolph Burgess, of the Federal Reserve Bank of New York, Mr. David Friday, of the National Transportation Institute, Mr. L. D. H. Weld, of Swift and Company, etc. Contrary to what may be gathered from the title, there are comparatively few actual forecasts in the book. One of these is by W. C. Clark of S. W. Strauss and Company, who makes an excellent brief survey of the problems involved in forecasting building construction, and concludes with the positive prediction that "the outlook for 1924 is for a year of high building activity, a year in which the industry will be kept working to something like capacity, but a year also which will be characterized by greater stability and fewer of those excesses which marked the opening months of 1923". Now that 1924 is over, we are in a position to give Mr. Clark a very high grade as a forecaster of building construction.

Another instance of an excellent forecast is that of Mr. R. H. Aishton on "Forecasting Railway Traffic". He indicates how the American Railway Association has discovered an accurate method of forecasting the traffic of the year based upon the results of the first three months of each year. "After some study of the problem, I am inclined to think that the first three months of the year furnish a fairly good measure of what the traffic of the year as a whole is likely to be." The curve of estimated traffic for 1923 is remarkably close to that of actual traffic. Four chapters are allotted to the discussion of agriculture and the business cycle, including chapters on forecasting corn and hog prices and on forecasting crops from weather conditions.

The longest chapter in the book, and one of the most illuminating, is that on "Fluctuations in Mineral Output", by George Otis Smith and others of the U. S. Geological Survey. This article is packed full of interesting material and should really be expanded into a

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book. The primary aim of the paper is "to examine the several mineral commodities for which current statistical data are now available, and to see which of them are the most sensitive and significant business indicators". For this purpose, nine of the minerals of largest commercial consequence are considered. Pig iron, of course, leads the list. Mr. Smith finds "copper an excellent business indicator, one that deserves more careful study than it has yet received". Electric power, which is transformed coal, is found by the author to be "one of the most sensitive and valuable of business indicators". Mr. Smith also suggests that "if someone will start an index of the manufacture of sulphuric acid, he will furnish a significant and useful business barometer; for this material, half mineral and half manufactured product, is so omnipresent in industry, that its market must respond to any change in the general condition of business". A similar and perhaps even stronger statement might be made of Babbitt metal.

Babbitt metal is a friction-bearing metal, composed of lead and tin, which is used as a surface-bearing metal because it is yielding enough to give way to the erratic rotation of a shaft and yet persistent enough to cling close to each position of the shaft. The bearing metal is softer than the metal of the shaft, so that the wear, resulting from friction, is upon the bearing metal rather than upon the shaft. The economic advantage of this fact is that the Babbitt metal can be replaced from time to time with comparatively little expense, whereas the replacement of the shaft would involve considerable expense. Babbitt metal is used in the manufacture of automobiles, electric motors, steam engines—in fact, in machinery of every description. The use of Babbitt metal, however, does not cease with the original manufacture of the machine but must be continued with the operation of the machine. The consumption of this metal is thus seen to be a measure of the rotation of the wheels of machinery and, therefore, indicative of the volume of manufacture of goods. It is obvious, therefore, that the sales of Babbitt metal would provide a very good business barometer. Some government bureau, such as the Bureau of Foreign and Domestic Commerce or the U. S. Geological Survey, or some privately endowed bureau, such as the National Bureau of Economic Research or the Harvard Committee on Economic Research, should undertake to gather these figures and publish them monthly.

As evidence of the fact that there are non-conformists in the business cycle, Mr. Smith finds that the "building materials group,

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including clay products, brick, tile, cement, lime, gypsum, and the like, commodities on the border line between mining and manufacture, follows the course of construction industry and may, as in 1918 and 1921, move in just the opposite direction from the metals". This suggests the interesting case of white lead, a material which is supplementary to building, in that it is used for painting. The sales of white lead have in many years of general business depression reached high points, a phenomenon peculiar to this industry.

Professor Persons develops the thesis that "the mathematical theory of probability does not provide a method of statistical induction or aid in the specific problem of forecasting economic conditions". Economists and statisticians will agree entirely with this point of view; in spite of the fact that, as Mr. L. D. H. Weld points out in one of the chapters of the book, in 1923 "some of the organizations that statisticians think are using questionable methods were nearer right than other organizations that are supposed to be using the most scientific methods".

The most striking impression that this book leaves upon the reader is the conservatism on the part of the authors, experts in their respective fields, in estimating the practical value of business forecasting at the present time. In spite of this cautiousness (or perhaps by virtue of it) the book renders a distinct service to the problem of business forecasting. It presents some of the difficulties involved in business forecasting in such a manner as to stimulate and inspire further thought and discussion of these important problems.

H. T. WARSHOW

NEW YORK CITY

Food Production in War. By THOMAS HUDSON MIDDLETON. Oxford, Clarendon Press, 1923.—xix, 373 pp.

Middleton's *Food Production in War* is one of a series of monographs being published for the Carnegie Endowment for International Peace. The plan of the series as set forth in the editor's preface and in the list of titles appended to the book, is to give "the economic and social history of the World War". This particular volume is one of the British series in the Division of Economics and History. In his preface, the author, after first defining food production as "the art of raising from soil the greatest possible quantity of energy in the form of wholesome foodstuffs", gives the plan of the book.

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The plan of the volume may be briefly indicated. Chapter i sketches the situation created by war following on a long term of peace—the "Way-going" after the lease; and Chapters ii to v deal with the stock-taking which the ending of a lease calls for. In Chapter ii the resources at the disposal of the farmer, in Chapters iii and iv his output of food, and in Chapter v the total amount of the nation's home-grown food supply are discussed. The following five chapters relate the story of the war harvests, Chapter xi briefly refers to the cost of the Food Production Campaign, and Chapter xii summarizes the results of war farming and alludes to some questions which face the farmer under the very uncertain "tenure" on which he now holds his land.

At the outset of the war, the United Kingdom found itself in this situation: given the customary rate of consumption of the pre-war period, the land would produce enough food to supply the needs of the people for one hundred twenty-five days. "Spread evenly over the fifty-two weeks it would have sufficed to feed the population of the country from Friday night until Monday morning."

The ending of the war found the country producing 64 per cent more wheat, about the same amount of barley, 46 per cent more oats, and 40 per cent more potatoes than in 1904–13. In spite of the plowing up of 2,500,000 acres of grass land, the dairy herd in 1919 was "within a few thousands of its size in 1914"; the loss in cattle was about 40,000 as compared with 1914; there was a 10 per cent decrease in sheep; and the country in 1919 still had 74 per cent of its pigs. Measured in terms of energy value, and setting off losses in meat and milk production against increases in the production of cereals, there was a net gain in the year 1918 over the 1909–13 average of 4,050,000 million calories, or 24 per cent.

In other words, the country had in 1918 produced sufficient food to feed the population at the pre-war standard for 155 days out of the 365, instead of 125 as in 1914. How this was accomplished under the stern handicap of war in spite of labor shortage, scant supplies of fertilizer, insufficient equipment, bad weather, and the traditional bias of the English farmer in favor of grass-land farming—is told by the author in a manner which gives his narrative economic importance and broad human interest.

The author's skilful analysis of comparative food values in chapter iii is a classic. The moral of this analysis seems to be that people buy food because they like it and not for the calories it contains. There is very slight relationship between energy value and market value. Farmers produce the food for which people will pay the high-

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est price in the market. This difference between "food production" and "farming" is brought out nowhere better than in chapters iii and xii of the book.

Since the peak of 1918, for example, over 2,000,000 acres of tillage have been returned to grass. Lower costs of production must be reached in the face of foreign competition and England will again revert to the position of 1914. As a national policy, the author believes that an additional 6,000,000 acres over and above the 12,000,000 which may normally be expected to come under the plow, should be tilled, and that tax rates might be adjusted so as to bring this marginal land within the area of cultivation.

One misses in the discussion the comparison of English experience with what was going on in other countries to stimulate food production. As the problem for these other countries is considered in separate studies, the author may have felt himself relieved from the obligation of extensive comparative allusions.

E. A. DUDDY

UNIVERSITY OF CHICAGO

Is Unemployment Inevitable? An Analysis and a Forecast. London, Macmillan and Company, Ltd., 1924.—viii, 388 pp.

This volume, the best on the subject that has appeared in England for some time, has been issued by the same unofficial committee of publicists responsible for *The Third Winter of Unemployment,* published in 1923, and reviewed in these pages.[1] It is a continuation of the investigations begun at that time. The foreword to the volume is signed by J. J. Astor, A. L. Bowley, Robert Grant, J. H. Jones, P. J. Pybus, B. Seebohm Rowntree, D. Spring-Rice, F. D. Stuart and W. T. Layton, chairman. They take responsibility for Part I of the study, which is the introductory report summarizing the views of the whole committee. They have reached their conclusions, however, by requesting leading authorities to contribute studies or essays on various topics. These essays fall within three groups, constituting Parts II, III and IV of the volume. Part II is called "Economic Memoranda", discussing the future prospects of Great Britain in general and the problem of the trade cycle in particular. The papers in this division approach their topics from the point of view of economic theory and are written by Professors A. C. Pigou, G. Cassel, M. Bonn and J. H. Jones, and Mr. C. K. Hobson. Part III consists of a series of papers on individual

[1] *Cf.* POLITICAL SCIENCE QUARTERLY, vol. XXXVIII, no. 3, pp. 521-25.

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British industries, in which the writers give the facts of these industries and attempt to forecast the forces in future world competition. Part IV includes statistical studies concerned with the future adult population of Great Britain, the relation between cost of living and wages, and similar points. These studies were made by Professor Bowley and Mr. F. D. Stuart.

Part I of the report effectively answers the fears, born in the worst part of the depression period, as to the future of British prosperity, and particularly as to the degree of unemployment to be expected. In the very first chapter, for example, the bogey of overpopulation is effectively disposed of, and it is reassuringly asserted that if no change occurs in the birth rate, the problem fifteen years hence may be an insufficiency of labor, rather than the reverse (p. 9).

Chapter II dealing with the trade cycle and the shortening of the interval between depressions, brings out the point that England's dependence on foreign trade is not a handicap. "For a country in the position of Great Britain, a large and widespread foreign trade is in a very real sense an insurance against excessive trade fluctuations. . . . The world-wide extension of trade means, in fact, that the variations in local disturbing forces which previously would have made a very considerable wave on the surface of commercial life cancel one another out" (pp. 12-13). The trade cycle may not be more serious in England than it is in other countries, but it is serious enough. The report devotes a good deal of attention to solutions for the trade cycle. It thus strikes a new note in British reports on unemployment because it is directed towards an economic solution for the evil rather than towards relief, insurance and palliatives.

The most important of the preventives it considers is the adoption of currency and credit policies designed to keep prices stable and inflation in check. The attempt to follow a policy of price stabilization is regarded as largely impractical, because, "It is too soon . . . for anyone to say what is a 'normal' level of general prices; and unless that can be asserted and believed, stabilization schemes have no practical foundation" (p. 45). The committee likewise sees difficulties in adjustments of the discount rate to keep inflation in check, but it advocates study of the subject by a new government Committee on Currency and Foreign Exchanges, in the belief that with carefully thought-out policies "action on these lines is likely to produce an important diminution in the violence of cyclical movements in trade and consequential unemployment" (p. 47). The committee

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then considers the need for two additional measures. It makes out a cogent case for an extension of statistical compilation and research. Here it is rather pleasant to be informed that "in this matter of economic information the United States is considerably further advanced than any other country in the world" (p. 47). The other measure for reducing the intensity of cyclical fluctuations is the postponement or acceleration of government work, in accordance with industrial conditions. This policy has been so long recognized as desirable by social reformers that the recommendation embodies nothing new. However, the need for the policy is made even clearer by the fact that the investigations for the committee by Professor Bowley and Mr. Stuart showed that compared with a logical method of government expenditure in accordance with long-range planning, "in the trade cycle immediately preceding the War, the actual expenditure was incurred in a manner very nearly the exact opposite to that which the scheme suggests" (p. 52).

The committee then concerns itself with the forecast of the future of British industry. This is divided into two parts, first, a prediction as to the course of world trade in general, and second, an estimate of Great Britain's probable share of this trade. Concerning the former it is stated:

> We take an optimistic view of the future growth of the world's maritime trade. The attempt of many countries to make themselves self-contained by tariffs will probably not diminish at all the extent to which nations will live by the exchange of goods and services; the filling up of the less densely peopled areas of the world will increase foreign trade, and the rise in the material standards of the poorer nations of the world will have the same effect [p. 84].

The final conclusion in the report is:

> Whether we look at the near future or further ahead, we see no reason for taking a pessimistic view of Britain's possibilities. With our present economic system, some reserve of labor for various occupations is necessary, but we do not believe that the abnormal unemployment of the last few years will become chronic or is inevitable [p. 85].

This statement, coupled with the great improvement in the employment situation in Great Britain, has no doubt had a heartening effect on those in Great Britain who were fearful of its future.

H. FELDMAN

AMOS TUCK SCHOOL OF ADMINISTRATION AND FINANCE
DARTMOUTH COLLEGE

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Canada's Balance of International Indebtedness, 1900-1913. An inductive study in the theory of international trade. By JACOB VINER. Harvard Economic Studies, vol. XXVI. Cambridge, Harvard University Press, 1924.—x, 318 pp.

The classical English theory of international trade was essentially an a-priori doctrine, both in its origin and in its more important later developments. Within the last few years, however, at least two attempts have been made to verify inductively that part of it dealing with trade under depreciated currencies; and Professor Viner has now undertaken a verification of the part dealing with the adjustment of trade, under common gold currencies, to prolonged international borrowing. His study is compact, intelligible, and in its main features convincing. It is an all too rare pleasure to find abstract theory and knotty fact in such happy intimacy.

The doctrine here involved was first worked out clearly by J. S. Mill, though it was not specifically applied by him to international borrowing itself. Its essence consists in the proposition that when such borrowing takes place, an adjustment will be effected in international trade through gold flows, consequent price changes, and the repercussions on the commodity balance of trade. The adjustment will be of such a character that the bulk of the loan can be transferred in the form of commodities. This proposition, Professor Viner finds, is effectively verified by the Canadian experience. During the period in question, 1900-1913, Canada was borrowing heavily and increasingly, chiefly from England. Her banks acquired more and more gold in consequence; her bank deposits and domestic prices rose steadily, whereas export prices rose somewhat less and import prices very little (p. 229); and the commodity balance of trade became permanently "unfavorable" after 1902 (p. 95). It thus became possible to transfer the loans primarily in goods. Or rather, some forty-nine per cent of the total new loans was thus transferred, for the period as a whole. Of the balance, forty-two per cent was offset by Canadian interest payments on *prior* loans, for each given year, and six per cent by the excess of payments due by Canada, for freight services, over the freight charges due to her. The other "invisible" items either balanced, or were unimportant. (Professor Viner does not give these percentages himself. I have computed from the careful and ingenious tables on pp. 95 and 101.)

The peculiarity of the case lies in the fact that the various adjustments were largely triangular, not bilateral; the third point in the

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triangle being the United States. Although her loans came primarily from England, Canada had an *export* surplus in the English trade. But with the United States, from whom she nevertheless borrowed comparatively little, Canada had a large *import* surplus; a surplus more than twice the size of the American loans, on the average (p. 281). Further, of even greater interest, the financial operations involved were carried on almost entirely through New York, not directly between Montreal and London. The sterling funds provided by the loans were sold in New York, and built up Canadian bank balances there, in the first instance, instead of enlarging bank reserves within Canada.

With the conclusiveness of Professor Viner's general inductive argument there can, I think, be no serious quarrel. He has done a difficult and valuable piece of work extremely well. But he is by no means equally convincing on the question of the intermediary financial mechanisms. His thesis is that "the fluctuations in the outside reserves of the Canadian banks [chiefly deposits in New York] operate to adjust the Canadian balance of payments to capital borrowings", in the manner usually attributed to gold movements (p. 178). That is, in so far as the increasingly unfavorable balance of trade failed to keep pace with the borrowings, it was to be expected that the outside reserves would be built up, and that this would correct the trade situation by inducing a rise in Canadian prices (*cf.* p. 184).

But neither the statistical material (for example on pp. 161, 165-167), nor the reasoning based upon it, shows any clear sequence *from* outside reserves *to* credit and price conditions within Canada itself. Outside reserves moved closely with bank deposits in Canada, and show no independent relationship to prices. Rather, the sequence must have been that which Professor Viner himself suggests at another point (pp. 177-181). The Canadian borrowers, having sterling funds at their disposal, deposited them with the Canadian banks (except in so far as the loans were spent in England). These funds, thus converted into Canadian currency and credit, were then spent in Canada, and induced a rise in prices; a rise which roughly adjusted the commodity balance of trade to the volume of new borrowings. (A net increase in deposits ensued, however, only in so far as the shift in the balance of trade did not keep up with the *increase* in the annual volume of borrowings; and vice versa. When it did keep up, no change in total deposits or in prices appeared. A fairly close correlation can be inferred from the

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data on pp. 103, 166, 186 and 220.) The Canadian banks then recouped themselves by selling the sterling funds in New York, the proceeds being left there or taken back to Canada as needed. But it does not appear from the data that these changes in the New York balances had any direct and independent effect upon conditions within Canada. By providing potential additional metallic reserves, their increase made a Canadian credit expansion *possible,* but there is no evidence, inductive or deductive, to show that it provided the initial stimulus to expansion. The stimulus came, rather, from the original increase in bank deposits within Canada itself. I do not intend by this to deny the validity of the general classical theory of international adjustments. But I think that Professor Viner's data warrant the inference—despite the opposite conclusion that he draws himself—that the classical theory is erroneous with respect to the rôle of gold flows, under modern conditions and in connection with protracted maladjustments. The correction, in the Canadian case, did not come from the effects of the gold flows or of changes in outside bank balances. It came from the effects of the original and prior increase in Canadian bank deposits.

Finally, Professor Viner is to be congratulated on his study of the history of the general theory here at issue (pp. 191-206). To the best of my knowledge he is the first writer to demonstrate in print that the price-specie flow mechanism, in the comprehensive form usually accepted to-day, was not Ricardo's at all, but was taken over by Mill from Henry Thornton. Ricardo denied it. The references to Cairnes's contributions, however, are inadequate.

JAMES W. ANGELL

COLUMBIA UNIVERSITY

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BOOK NOTES

Fifteen years ago Professor Frederick L. Paxson, in a sketch entitled *The Last American Frontier,* set forth in popular style the forces which, in large measure, shaped the history of the country beyond the Mississippi. In the preface of that work he expressed the hope that at some future time he might be able to produce a more scholarly and complete story of the frontier movement. In his recent volume, entitled a *History of the American Frontier, 1763-1893* (Boston and New York, Houghton Mifflin Company, 1924; xvii, 598 pp.) this hope has been fulfilled. While the earlier work dealt only with the trans-Mississippi West, the latter, as the title implies, is a story of the entire frontier movement. In a sense the fifty-nine short chapters which comprise the volume constitute a history of the United States within the dates set. While the author has not merely pieced out the earlier volume by adding chapters, it is only fair to say that he has added little to the frontier narrative that was not already known. In other words, the book is, as Professor Paxson himself says, a synthesis of the whole frontier movement, and in this and in the admirable style in which it is couched lies its chief value. The footnote references, which include the only bibliographical material, are drawn for the most part from standard secondary sources or from the published works of well known American scholars. A few chapters, notably "Political Theories of the Frontier" (xi), "The Great Migration" (xxi), and "Public Land Reform" (xxv), have no bibliographical references whatsoever; others have only one or two at the most. On the whole, social and economic factors receive due emphasis, although some chapters seem to be unduly weighted with political and military events without the accompanying social and economic foundation. Yet, all things considered, the book represents the best integrated survey of the frontier that has thus far appeared.—H. J. C.

Mr. Morris Edmund Speare in *The Political Novel: Its Development in England and America* (New York, Oxford University Press, 1924; ix, 377 pp.) devotes more than half of his space to Disraeli. Other English writers who are given full treatment include Trollope, George Eliot, Meredith, Mrs. Humphrey Ward and H. G. Wells. The principal Americans are Henry Adams, Winston

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Churchill and Paul Leicester Ford. Mr. Speare laments the fact that Washington is so rarely the scene of a political novel. It is true, as he says, that "the kaleidoscope of American political life is one infinitely more various than was that of England in the time of Queen Victoria"; but this is just the difficulty, and the author never seems to realize it. The scene is various and politics are sectional. State and district manipulation and issues interest the people more because they are more familiar with them. The astronomical form of congressional government makes it a dull business. Political figures flash across the sky and vanish quickly. In England men stay in Parliament for long periods, and since there politics on a national scale are at the same time more simple and more dramatic, the canvas lends itself to the political portrait painter. Mr. Speare remarks that in America studies of corrupt state politics have served "to make popular government more popular". It would be truer to say that fiction has sought to make unpopular government more unpopular. Mr. Brand Whitlock's novel, which assisted in this movement, was *The 13th District* and not *The 13th Ward,* as Mr. Speare entitles it.

The tendency to extend the teaching of the social sciences into the secondary schools is once more exemplified in Joseph K. Hart's *Social Life and Institutions* (Yonkers-on-Hudson, New York, The World Book Company, 1924; vi, 423 pp.). This book is intended to serve as a year's text in sociology for high schools, normal schools and junior colleges. Its aim is not primarily the presentation of the facts of and theories about social life, but rather to stimulate the student's perception of social problems. Facts in abundance there are, and theories in suggestive moderation, but the carefully worked out question section at the end of each chapter is, pedagogically at least, the most interesting phase of the book. The term "problem" is in general used in its scientific, rather than technological sense. The first sixteen chapters are devoted to certain general aspects of social life, and the last sixteen to fairly concrete discussions of present-day social situations. While the tone of the writing is liberal, it is never dogmatic; it relies on facts to produce the effect rather than on exhortation. In these days of textbook propaganda for the stabilization—not to say fossilization—of the thinking of the younger generation, this book appears to be a fine antidote to the sort of reactionary twaddle that gets itself so easily adopted for textbook purposes by educators who are afraid of the effect of truth. The book is simply written, but is not in words of one syllable. It might be

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effectively used in a non-academic reading course as an introduction to sociological study.—C. E. G.

In his *David Wilmot, Free-Soiler* (New York, D. Appleton and Company, 1924; xl, 787 pp.) Mr. Charles Buxton Going does not fulfil the promise of his preface. "The purpose of this book," he says, "is to present a complete picture of David Wilmot as a man and a statesman, of his ideals and his achievements, with his speeches and letters so far as they have been preserved, and thus to restore to the canvas of American history the living figure of one of the most intense personalities in the great free-soil struggle which culminated in the Civil War." But Mr. Going does not present the "living figure" of his subject. Instead, he gives us a biography of the Wilmot Proviso; its origin, its course through all the vicissitudes of committee deliberations and Congressional debates, and its final triumph in the Thirteenth Amendment to the Constitution. Throughout this lengthy political record David Wilmot is ever present, yet the reader sees him only as the champion of a principle, the crusader in a holy venture. The man himself never quite emerges. He remains hidden by detailed reports of his earnest speeches and complete accounts of his public activities. That portion of the narrative which deals with Wilmot's part in the politics of the slavery question is admirably done. One wishes, however, that the author had not concealed his hero so completely in the armor of a warrior battling for a cause.—J. A. K.

The Common Weal (Oxford, Oxford University Press, 1924; 296 pp.) consists of Lectures on Citizenship at the University of Glasgow, by the Right Honorable Herbert Fisher. He has not attempted to make a systematic contribution to political philosophy but has allowed his thoughts to play freely and discursively "around some of the topics which have at different times, either during the course of my reading or my travels or my parliamentary and official experience, impressed themselves upon me as being of special interest and importance". The subjects discussed include political obedience, patriotism, the claims of body, mind, neighborhood and race, the ethics of wealth, nationalism and internationalism, international law, the reduction of armaments, and international relations. Mr. Fisher asks his readers to assume (with Green) "that the real function of government is to maintain conditions of life in which morality should be possible" (p. 20), but when he comes to give advice on specific points he is a good deal of a utilitarian. He is optimistic, comforting, unimaginative—in short, he is a Liberal—and he takes a party

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rather than a historical viewpoint of the origins of the war, for he says that in Mr. Asquith's apologia there is "conclusive evidence" as to the responsibility for plunging Europe into conflict (p. 282). One of Mr. Fisher's favorite authors is Henry Ford, who is quoted four times.

In 1919 M. Joseph Barthélemy, a professor in the University of Paris and a member of the last two Chambers of Deputies, published an interesting book on French political institutions. This has now been translated by J. Bayard Morris (*The Government of France,* New York, Brentano's, 1924; 222 pp.) who says that M. Barthélemy supplied him with "new matter in order to bring the book up to date". It would have been better, however, if Mr. Morris had waited a few months longer and had translated M. Barthélemy's new revision, which is much more thorough. *Le Gouvernement de la France* (Paris, Payot, 1924; 244 pp.) shows evidences of "newer matter" which is "more up to date". For example, Mr. Morris's edition gives only a page and a half to the electoral law of 1919 and does not even explain how it works; M. Barthélemy's revised version discusses the vagarious results, which were striking in the 1919 elections, when the Socialists were greatly underrepresented, and criticizes the law. Mr. Morris's list of groups in the Chamber gives about twenty more deputies than there are in the Chamber, while the revised French edition explains that these groups overlap. The French edition, furthermore, is much more adequate in respect of parliamentary commissions and the aspects of the French presidency brought to the fore by MM. Poincaré and Millerand. The salaries of various officials given in the new French edition differ greatly from those stated by Mr. Morris. Both versions are in error in saying that the right to dissolve the legislature has never existed in any other republic in the world, but M. Barthélemy corrects his statement, in the first edition, that Switzerland has not yet ventured to submit treaties to a referendum. Some treaties are now so submitted. The jacket of the English edition is incorrect in saying that the translation "is the most complete account of French government within the compass of a single volume that has yet appeared" and that "M. Barthélemy exposes every detail of French political and legal organization". Even his revision glosses over such matters as the regionalist movement, administrative syndicalism, and the responsibility of the state for the acts of its agents.

The trend of interest in things statistical is upward, and many people are seeking to make use of statistical method in their work.

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Among this group are many students and business people who do not have the mathematical background with which to get the most from some of the more advanced texts on statistical method. It is to this group that Professor Harry Jerome has in large part addressed his book, *Statistical Method* (New York, Harper and Brothers, 1924; xxiv, 395 pp.). A point of interest in the arrangement is the introduction of graphic methods at the beginning of the book, while the part on sources and the collection of statistical data has been left for a later discussion. Professor Jerome seems to have covered the extensive field of statistical interest in a thorough way, including chapters in his book on Ratios and Coefficients, Index Numbers and Business Cycles and Barometers. His treatment seems all too brief in many cases, but his aim has been to open up ways to those interested in further study. Short, well chosen lists of references at the end of each chapter are an additional aid to the student who wishes to make a more extensive search in a particular field. The discussion of "Periodic Secondary Sources" in chapter xvii is suggestive and valuable to the beginner in statistics. The several appendixes contain a great deal that will be helpful to student and teacher alike. Especially to be noted is Appendix A, "The Literature of Statistical Method and its Application", and Appendix C, "Exercises and Study Questions". It is generally to be lamented that writers on statistical method have not found it possible to agree on a common language of symbols. This is quite confusing to the beginning student who finds it necessary to adapt himself to a new set of symbols as he uses different texts, including Professor Jerome's new book.—R. E. S.

The difficulties involved in establishing and maintaining a collegiate institution even in this land with its tradition of universal education are described in *A History of Rutgers College 1766-1924*, by William H. S. Demarest (New Brunswick, N. J., Rutgers College, 1924; 570 pp.). From the years of its colonial origin adequate funds have been the great problem and the failure to secure them has caused many an anxious crisis. But in spite of the fact that twice at least in the first half-century the college closed its doors, its promoters persevered and were rewarded by delayed but steady growth. The small classical college under the control of the Dutch Reformed Church broadened and expanded under the impetus of state and national aid into a cosmopolitan state university. The narrative contains interesting descriptions of local conditions in New Jersey during the colonial and revolutionary epochs; it is enlivened

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by accounts of early student life and activity. Those who desire to follow the fortunes of Columbia, Princeton and Union College or the Dutch Reformed Church will find incidents of interest. The story of the relations of this institution with the United States government and the State of New Jersey is a valuable contribution to the history of American education. This work represents the fruits of long association and careful research and is presented as a labor of love by a loyal alumnus to his alma mater.—R. N.

In *Manpower in Industry* (New York, Henry Holt and Company, 1924; x, 378 pp.) Mr. Edward S. Cowdrick has essayed the formidable task of bringing up to date a statement of the principles and practices in that field of managerial activity now usually identified by the phrase "Personnel Administration". Qualified for this task by a varied practical experience, by a sober and judicial mind, scholarly background and liberal outlook, he has written what is unquestionably the best of the recent books dealing with this general subject. The point of view is the evolutionary, educational one, which has come to be associated with the best expositors and practitioners of personnel management. The author is a realist in the best sense of the word, and his understanding of the present conditions leads to a helpful tolerance and to a constructive statement of what executives and corporations can do. Due no doubt to his own previous professional activities, Mr. Cowdrick lays considerable stress upon the principles and practices underlying employee representation and collective bargaining with trade unions. His statement of this whole development is admirable in every particular, well balanced, and thoroughly imbued with that functional view which recognized the positive function to be served by the right type of organization both within the plant and among the workers of a trade or industry nationally organized. He makes also as sympathetic and as sound a statement as to the value and limitations upon service work—those activities spoken of in the old days as welfare work—as has yet appeared in the literature on this subject. This is undoubtedly due to the fact that the author is thoroughly imbued with an educational point of view, which realizes that the rank and file of the manual workers if left completely to themselves to undertake the responsibilities of civic life, do not in fact secure the best of that which is available of medical, educational, recreational and other social opportunities. He avoids, however, any recommendation which smacks of a paternalistic character. Perhaps the book's greatest value lies in the fact that it on the whole substantiates, reaffirms, and simplifies

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the claims which have been made regarding the social and business values of personnel work in the last ten years. The author correctly points out that following the industrial depression of 1919 and 1920 personnel work has again recovered its prestige and gained additional momentum due not to accidental reasons but to the inherent economic and social value of its contribution. The activities here included and described are those which have stood the test of time. And the principles enunciated are those which are clearly defensible in the light of actual industrial experience over a period of years. No one who is anxious to appreciate the constructive forces at work in American industry from the management end to improve the quality of life which will be possible to manual workers of America can afford to ignore the truthful and hopeful statement which this author has made.—O. T.

A beautifully gotten up edition of Bernard Mandeville's *Fable of the Bees* (Oxford, Clarendon Press, 1924; two volumes, cxlvi, 412; 481 pp.) has been edited by Mr. F. B. Kaye, who has also written a critical introduction. A book that has had so much influence on later thinking as the *Fable* ought to be kept perpetually in print. It is to be hoped that this edition will accomplish that purpose. But Mr. Kaye's critical introduction is also important on its own account. It brings up to date commentary on the *Fable,* traces its sources and carefully estimates its place in the history of thought. It is sufficiently definitive so that this task at least ought not to have to be done again. The world of scholarship owes Mr. Kaye and the Clarendon Press a debt of gratitude.—R. G. T.

What women do and what they would like to do with the new leisure that has been provided for great numbers of them by the development of factory industry and the consequent lightening of household duties, is the subject of investigation in *Women and Leisure* by Lorine Pruette (New York, E. P. Dutton and Company, 1924; xxiv, 225 pp.). By an interesting but somewhat doubtful use of the questionnaire method Miss Pruette comes to the conclusion that women want homes and husbands and at the same time a chance in industry. One of the important problems still unsettled in industrial life is, indeed, the means of using the capabilities of women at tasks commensurate with their latent abilities. How to accomplish this in a factory system is still unknown.—R. G. T.

Professor John Mabry Mathews has revised and in fact rewritten his *Principles of American State Administration,* and with the addition of several new chapters has republished the book with the title

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American State Government (New York, D. Appleton and Company, 1924; xv, 660 pp.). The book is now the most comprehensive and thoroughly up-to-date text on state government. It has made little pretense to criticism, being content merely to set forth somewhat fully the arid but important details of government in our forty-eight commonwealths. Criticism is left to the appendix, which contains the National Municipal League's "Model State Constitution", various essays discussing its provisions and a number of articles reprinted from the *National Municipal Review*. The American Federal System may have substantial advantages in permitting widespread and relatively harmless experimentation in government. But its diversity renders the work of a commentator very arduous. Either he must write interestingly of the unusual features that he finds in occasional states or he must weary his readers with endless details of similarities and distinctions. That Professor Mathews has accepted the second alternative is not to say that he has not produced a very useful book.—R. C. M.

The need of the teacher of municipal government for source material scattered among innumerable city charters, surveys, reports, and periodicals is intended to be supplied by Chester C. Maxey's *Readings in Municipal Government* (New York, Doubleday, Page and Company, 1924; xiv, 627 pp.). The editor has drawn heavily for material upon the resources of the New York Bureau of Municipal Research—almost a quarter of the book being composed of excerpts from surveys by the Bureau staff of municipal affairs in ten large American cities. The remainder is drawn from magazine articles, bulletins of civic associations, speeches of municipal reformers and public reports. The material, according to the editor, is "not of uniform character nor of even value." Some of it illustrates fairly well the realities in municipal administration, but a large part of it is not real "source" material but rather the comments of specialists in various fields of municipal government. The student using the book does not become an eye-witness of municipal affairs, but rather a reader of the opinions of eye-witnesses and in most cases witnesses who are seeking to defend a favored reform or point of view. Such an indirect approach to realities is perhaps less illuminating and surely less interesting to the student than a thoroughly well written and illustrated text. There are, moreover, several unnecessarily complete reprintings of illustrative articles, the value of which is not great and which certainly illustrate the topics under which they appear less adequately than many other articles which

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the editor might have found after diligent search. The editor of the *Readings* has written a companion volume, *An Outline of Municipal Government* (New York, Doubleday, Page and Company, 1924; xv, 388 pp.). This is a very brief sketch of the field of municipal government intended, according to the author, to serve not as a textbook but "to perform somewhat the same function with reference to the study of municipal government that a blueprint does in architectural practice." The text is clearly written and unburdened with technical terminology. In the main the conclusions are carefully drawn and free from special pleading. An "outline", however, should carry with it a more complete topical arrangement and more ample bibliographies than the author has supplied.

There were a number of conflicts between theory and necessity in the short history of the Confederate states, and one of the most important is described in Albert Burton Moore's *Conscription and Conflict in the Confederacy* (New York, The Macmillan Company, 1924; ix, 367 pp.). Among the principles for which Southerners contended was local self-government, but a few months of war demonstrated the need of centralized control for military purposes. This same war period demonstrated the futility of depending on volunteers even in so vital a struggle and the necessary conscription policy displayed some of the weaknesses of the new federation. The difficulties of managing and enforcing conscription are exhaustively dealt with in this book. The greatest problems arose out of the inevitable conflicts of jurisdiction between the Richmond government and the various state authorities; others were caused by the system of substitution and exemption contained in the laws and by the peculiar dual administration of the statutes by the military and civilian officials. The author gives a vivid impression of the complications involved and presents a number of interesting facts pertaining to the administrative machinery of the Confederate government. He concludes that in spite of the unsatisfactory conditions resulting from many of the attempts to operate the various drafts, the scheme rendered important service "by keeping the seasoned twelve-months troops in the army [in 1862] and by stimulating volunteering. . . . The powerful armies built up in the summer and fall of 1862 were the backbone of the Confederate military system that distinguished itself on the bloody battlefields of 1863 and 1864."—R. F. N.

Even among those who are well-read in history there are probably

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very few to whom the name of Richard Price would suggest anything, and most of those few would remember him only as the object of Burke's sarcastic invective. Toward the close of a useful and distinguished career, Price preached a sermon in praise of the French Revolution which goaded Burke into his *Reflections.* How insolent the latter was in his strictures upon Price will be clear to anybody who takes the trouble to re-read the opening passages of the *Reflections* in the light of Mr. Roland Thomas's recently published *Richard Price* (New York, Oxford University Press, 1924; viii, 194 pp.). Far from being the crack-brained radical pictured by Burke, Price, as his biographer shows, had achieved eminence in more than one field and stood in the forefront of the intellectual life of his time. A Dissenting clergyman by profession, he never neglected his clerical duties, but he was many-sided in his interests, and he was able to make important contributions to mathematics, finance and political philosophy, as well as to ethics, theology and metaphysics. His work on reversionary payments put life insurance for the first time on a scientific basis, and his reputation as an authority on finance led Pitt to consult him as an expert on the national debt. A treatise on civil liberty, in which he denied that Parliament had any lawful authority over the American colonies, ran through thirteen editions during the year of its publication, and in recognition of his services to the American cause Yale conferred upon him the degree of LL.D. A champion of liberty on all occasions, he was prominently associated with the movements of his day for parliamentary reform and the repeal of the Test Act. His proposal for a federation of Europe deserves mention among eighteenth-century projects for preventing war, though there does not seem to be solid ground for Mr. Thomas's opinion that it had an influence upon the framers of the American Constitution. Nor is evidence adduced to justify the implication that Price was an important factor in the French pre-Revolutionary philosophy. But he was at any rate a dominant figure in one of the world's great ages of enlightenment, and Mr. Thomas has helped to rescue him from undeserved oblivion.

Students and teachers of history will welcome Professor James W. Thompson's new edition of his *Reference Studies in Medieval History* (Chicago, University of Chicago Press, 1923-1924; three volumes, xxvi, xii, xi, 342 pp.). The new edition is published in three parts. It has been thoroughly revised, especially in the early chapters on the Roman Empire and in the chapters covering the period of the Renaissance; many new titles have been added; more space

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has been given to social and intellectual factors; the index has been much improved by the insertion of page references; more recent interpretations of medieval history are reflected, not only in the regrouping of materials and the insertion of new titles, but also in a lengthened and partially rewritten introduction. The limitations which the compiler placed upon his work are its chief weakness. Confined to titles in English alone, the references, particularly in social history, tend to emphasize unduly English customs and institutions. This is made good in part by the listing of translations, where such exist, and by frequent reference to reviews of Continental works in English language reviews. Notwithstanding this fact, however, the treatment of some aspects of Continental history is necessarily sketchy. As Professor Thompson himself notes in his preface, his most distinctive service is the listing of a wide range of periodical literature which is of much value but is frequently overlooked because difficult to find. It is to be regretted that more care could not have been exercised in the proof-reading. Authors' names are misspelled, their initials wrongly given, in at least one case noted the author's name was omitted entirely, titles of books are not always accurately or consistently cited, books with exactly the same page or chapter reference are sometimes listed twice under the same paragraph heading. All this tends to give the work a hasty and slipshod appearance.

In the "Collection Armand Colin", a series comparable to the Home University Library, appears *La Société féodale* (Paris, Armand Colin, 1923; vi, 216 pp.) from the pen of J. Calmette of the University of Toulouse. Clear, concise, packed with material, the book offers a most useful summary of a complicated and difficult subject. The student may be irritated at times by the way the author waves aside knotty problems regarding the origin of feudalism, but it is necessary to remember that two hundred pages afford all too brief space in which to pursue controverted points regarding origins. All the authors could be expected to do is to present a picture of institutions as they existed in the so-called feudal period, and this he has done in attractive fashion. With more justice exception may be taken to the grouping of pretty much all social facts and forces of the Middle Ages under the term "feudal society". For example, in chapter v under the caption *la vie féodale* appears a discussion of life not only in castle and village community, but in the cloister, the university, the town, the gild, and the trading company as well. It may be argued with some cogency that any such

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wide application of the term feudal is hardly justified by the facts, and tends to perpetuate an interpretation of the Middle Ages from which we are endeavoring to escape. It would have been better either to have widened the title or narrowed the subject matter.

Worthy of note are new editions of two works in English history in the Middle Ages. Mr. H. W. C. Davis has re-edited under the title *Medieval England* (New York, Oxford University Press, 1924; xxi, 632 pp.), Barnard's *Companion to English History,* published first in 1902. The new volume is attractively gotten up. Some of the chapters are new. The one on ecclesiastical architecture has been entirely rewritten—and improved—and the same is true of chapter X on the clergy. Under chapter XI (Learning and Education) the sections on handwriting and printed books, the book trade, and libraries have been greatly extended and made more useful. A chapter on coinage has been added. The original edition was profusely illustrated; in the new edition the illustrations have been much changed and much new material has been added. All in all, the revision marks a considerable improvement in an already very useful work, though some of the articles might well have undergone further change to bring them abreast of more recent findings in their several fields. For a "companion volume", too, some chapters follow rather too closely the beaten paths. This is noticeably true in the two chapters on "Town Life" and "Country Life". One would be glad of a picture, as nearly as it could be drawn, of actual life in country and town instead of the rather technical treatment here given. Throughout the volume there is, however, much material conveniently brought together which is not found in the ordinary text. It offers good "collateral reading" for a course in English, or even general European, history.

The second volume alluded to above is a new edition of *English Industries of the Middle Ages*[1] (New York, Oxford University Press, 1923; xx, 36 pp.) by L. F. Salzmann. Two new chapters on the building trade and on fishing have been added. In the other chapters there is some change in emphasis and the addition of some new material, especially in chapter VII on metal working. Much pertinent illustrative material, affording a very good idea of industrial processes in medieval England, is brought together between the covers of this volume. It would have been more useful, however, could the author have given more emphasis to the difficult but interesting question of the volume of production in the various indus-

[1] Reviewed in POLITICAL SCIENCE QUARTERLY, vol. XXIX, p. 143.

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tries discussed. Some answer is given to this problem, but nowhere is the material really effectively brought together. In the concluding chapter on the control of industry a worthwhile *caveat* is uttered against those who would postulate too full a degree of liberty and democracy in the medieval crafts.

Consonant with his general interest in offering a semi-popular interpretation of the Middle Ages to modern society, Professor F. J. C. Hearnshaw, as general editor, has published under the title, *The Social and Political Ideas of Some Great Medieval Thinkers* (New York, Henry Holt and Company, 1923; 224 pp.) a volume of lectures delivered at Kings College, London. The book is made up of eight lectures—a general review of medieval political thought followed by lectures on St. Augustine, John of Salisbury, Thomas Aquinas, Dante, Pierre DuBois, Marsilio of Padua, and John Wycliffe, respectively. One rather suspects that the word "social" appearing in the title is there to help get the book into the hands of the reader, for social theories are all but lost sight of after the title page. The first essay by Ernest Barker is interesting and suggestive; the last, by the editor, is devoted almost entirely to the recounting of the events connected with Wycliffe's life. The most searching and informative is the outline of the lecture on St. Augustine that Dr. Carlyle was prevented by illness from delivering but which was included in brief form in the printed volume. In this is presented the thesis that so far as St. Augustine, or indeed any of the Fathers, developed a theory of the state it was adapted from the Stoics. "There is," he holds, "no reason to think that the Fathers had any characteristically Christian conceptions of the origins of society at all." As a whole, the lectures confine themselves to the summary of material already well known. These summaries are convenient, but can scarcely be called distinctive.

The saddest result of the World War has been the blinding revelation of the extent to which political belief has entered into scientific study and has biased the minds of many who in other respects are thoroughly unprejudiced scholars. Slavonic study in every form has been peculiarly unfortunate. Before the World War there were very few journals published outside of the Slavonic area which interested themselves with the publication of articles on the important and populous Slav lands. The beginnings of Slavonic philology had been laid, but cultural and historical articles were all too often based on preconceived ideas and notions. Since the World War many new journals have been published, but again the great majority waver

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between scientific disinterestedness and apology for some political party. Quite naturally in the *Jahresberichte für Kultur und Geschichte der Slaven* (Herausgegeben von Erdmann Hanisch, Breslau, Priebatsch's Buchhandlung, 1924; I Jahrgang) the Slavonic question is viewed from the German standpoint. The theory of German superiority is frankly assumed to be true. In consequence many of the articles dealing with the areas recently removed from German control do not conceal the feelings of the authors and editor. On the other hand many other articles, especially those dealing with Russia, are far more balanced and contain really valuable information on literature, language and history. The bibliographical lists are very full and give a good idea of the revived German interest in Slavonic studies, an interest which cannot fail to have an important effect on the future development of European relations. The translations of Slavonic literature into German reveal greater interest in Slavonic culture than exists to-day in America and the long lists of books on Bolshevism give evidence of the lively debate which has been going on in Germany. Whether one accepts the German view of the Slavonic question or not, one cannot ignore it. Slav-German relations are most important for Europe and in this venture we see a distinct attempt to put information on them into such forms as may be most valuable for Germany.—C. A. M.

With the growing interest in the farmer and his problems, *Rural Texas,* by Dr. William B. Bizzell (New York, The Macmillan Company, 1924; xvi, 477 pp.) is a most timely addition to the Rural State and Province Series. The book is good reading, enlivened with anecdote and illuminated by the light of full familiarity with the people and their customs. It begins with a brief physiographical and historical background. It treats of the natural resources of a large state, diversified in temperature, and comprising very fertile arable areas, grazing prairie lands, forests and mountains, with soil ranging in texture from loose deep sand to heavy dark clays. Economic and social conditions are scanned, among them farm credit and cooperative marketing, the experimental and regulative work of governmental bureaus and institutions, rural education and living conditions. Several statistical appendices tell in tabular form of the great rôle played by agriculture, its products and its manufactures. *Rural Texas* is one of the most worth while compilations of interesting material that has been added to the recent literature of Rural Sociology.

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